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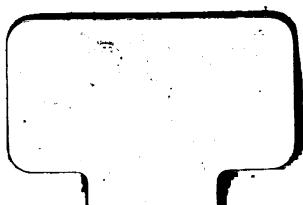
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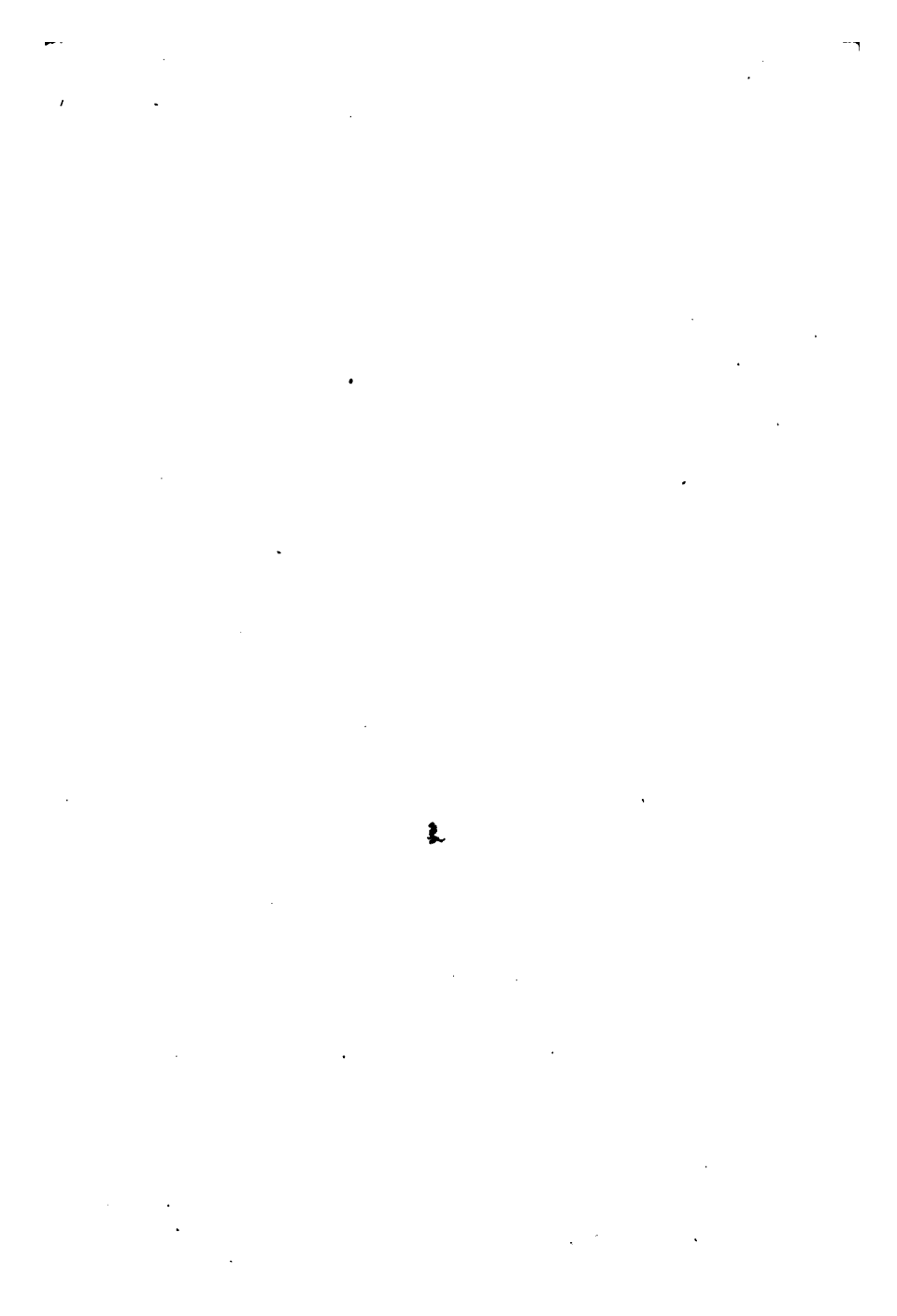
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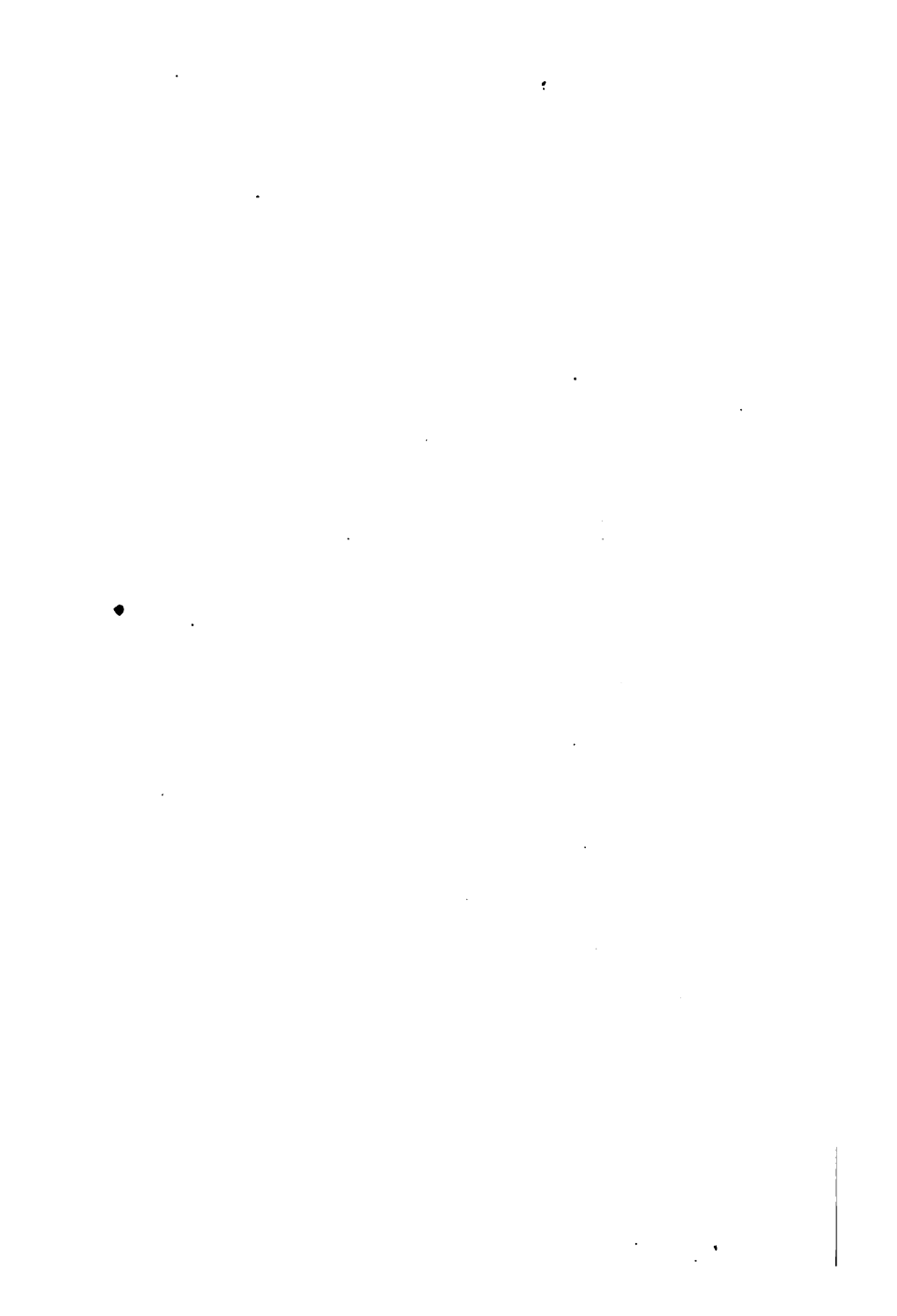
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2







A TEXT-BOOK
OF
BOOK-KEEPING.

PART I.

BY

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DUBLIN:

A. THOM & CO. (LIMITED), 87, 88, & 89, ABBEY-STREET;

M. H. GILL & SON, 50, UPPER SACKVILLE-STREET;

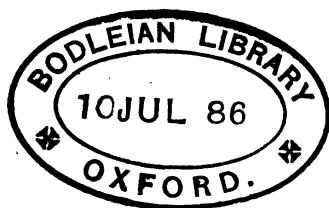
SULLIVAN BROTHERS, 26 & 27, MARLBOROUGH-STREET.

LONDON:

SIMPKIN, MARSHALL, & CO.

1885.

1808. f. 4



PREFACE.

To a commercial community a knowledge of Book-keeping is of vital importance. The success or failure of a business man depends to a great extent upon an exact knowledge of his affairs, and this can only be obtained through a scientific system of keeping his accounts. But the subject has a much wider application. Professional men, artisans, farmers, housekeepers, &c., all require to keep accounts, and an elementary knowledge of Book-keeping may therefore be said to be necessary to persons in all positions in life.

As a subject of school instruction Book-keeping has not received that attention which it merits. It is fully equal to any other of the sciences as a means of intellectual discipline. In its study pupils are constantly called upon to apply the principles of the commercial rules of arithmetic to examples of business transactions. It affords practice of the best kind in penmanship. It encourages habits of neatness and of accuracy, which are of essential importance to the student whatever his future occupation may be.

The comparative neglect of Book-keeping in schools appears to be due to the want of a text-book giving a

scientific treatment of the subject in familiar language, while leading the pupil by graduated steps from the known to the unknown, and furnishing exercises to illustrate principles and to test the student's knowledge. Book-keeping is too frequently taught by making the pupil copy long series of transactions from his book, requiring him to work for days and even weeks at a single long exercise where the transactions are to a great extent of a similar nature, and then calling upon him to go through an extended and complicated series of operations the reasons and objects of which have not been explained.

Instead of following this time-honoured plan, a different method is here adopted. One portion of the subject is taken at a time, a clear explanation is given, a short exercise of a varied character is worked out as an example, and fully illustrated, and similar exercises are given to be worked by the student himself with the help of the model exercise. Questions for examination are appended to each section, and written answers to these, as well as the working of the exercises, may be required from the pupils as home exercises. A gradual progress is in this way made from one simple account to the management of more complicated accounts and ledger work. Throughout, the study is treated intellectually. The reasons for all the operations are carefully given; and the student at each step is called upon to think for himself and to apply

the principles he has learned to the examination of other transactions.

Teachers will find that if treated in this way, Book-keeping will not prove the dry, repulsive, complicated subject it is usually regarded by students. They will on the contrary engage in its study with eagerness and pleasure.

It has been objected that the systems of Book-keeping in use are so numerous that it is impossible in a single work to give an account of all, and that consequently a book-keeper has to learn for himself the particular system of the establishment in which he is employed. In reality there is but one system of scientific Book-keeping, and a student who masters its principles can readily make himself familiar with any modification of the general system.

The present elementary work consists of two parts. Part I. is intended for beginners. It covers the examinations in Book-keeping in National Schools up to and including the second stage of the fifth class. Part II. is suited for advanced students, and may be used in preparation for the examinations of the National Board of Education, of the Intermediate Board of Education, of the Society of Arts, and for the Civil Service examinations.

Book-keeping is one of the subjects in which the author lectures to the students in the Training College of the Commissioners of National Education, and he has

had many years' experience in its teaching. He has consequently reason to hope that the present work will be found useful and practical.

Special attention has been paid to the arrangement of the accounts and to the type in which the work is printed.

DUBLIN,

February, 1885.

INTRODUCTION.

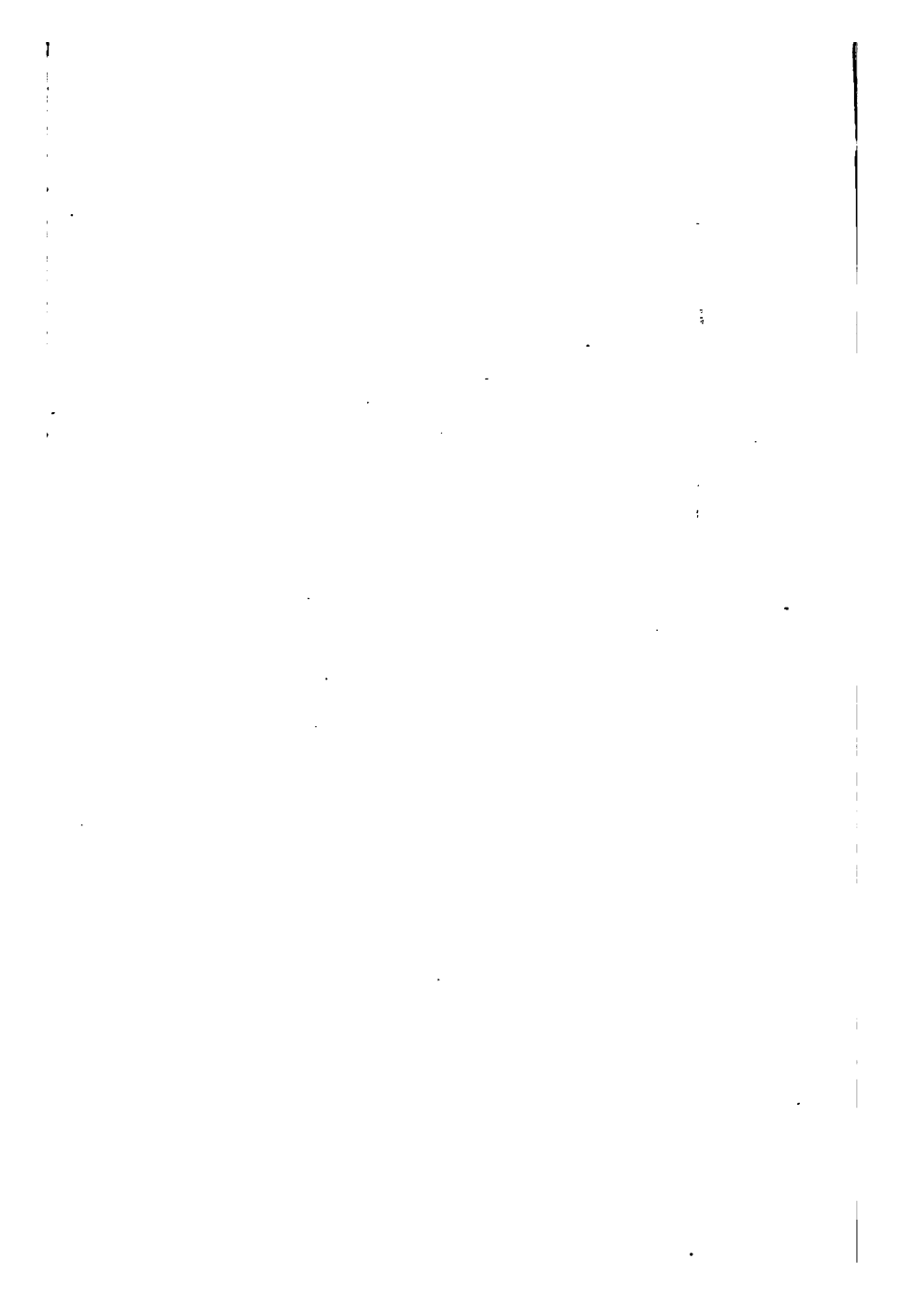
TO THE STUDENT.

IN real business a merchant's books should be written plainly and neatly, and should be free from blots and erasures. Scraping out or obliterating an entry might give rise to the suspicion of fraud.

Students of Book-keeping should therefore cultivate habits of neatness and accuracy, and in working their exercises they should *strictly* carry into practice the following rules :—

- (a.) The handwriting should be compact, free from flourishes, and with every letter distinctly formed.
- (b.) Figures should be correctly made, and should be placed in the money columns so that units may be under units, tens under tens, &c.
- (c.) Care should be taken to give names, dates, and other particulars with perfect accuracy.
- (d.) No erasures should be made. Errors may be corrected by drawing the pen neatly through the words or figures that are wrong and making a fresh entry either after or above the wrong one.
- (e.) The exercise books should be neat and clean and free from blots.

The first requisite in a good book-keeper is *accuracy*, the second is *neatness*. If in addition he can do his work *quickly* nothing more is to be desired.



BOOK-KEEPING.

CHAPTER I.

1. **Book-keeping** is the art of keeping a record of business transactions.

2. Suppose, for instance, that a farmer wishes to keep an account of the money he receives and pays away, he may in the first place enter his receipts and payments just as they occur in a **Waste Book** without any order except that of date. The **Waste Book** is so called because it may be considered *waste* or useless when its entries are transferred to another book.

3. Let the following be the farmer's **Waste Book** for a week:—

WASTE BOOK.

1885.			£	s.	d.
Jan.	5	Cash in hands on this date, . . .	7	10	6
"	"	Paid for repairs to Ploughs, . . .	0	17	8
"	6	Sold for Cash:—			
		10 cwts. of Potatoes at 3s. 4d. per cwt.,	1	13	4
		8 cwts. of Turnips at 1s. 1d. per cwt.,	0	8	8
"	7	Paid for 1½ tons of Coal at 16s. 6d. per ton,	1	4	9
"	"	Paid for carriage of Coal, . . .	0	7	6
"	"	Sold for Cash, 2 Sheep at 45s. each, . .	4	10	0
"	8	Paid for 2½ cwts. of Oatmeal at 1s. 8d. per stone, . . .	1	10	0
"	"	Lent James Clarke, . . .	2	10	0
"	9	Sold for Cash, 2 Lambs at 22s. 6d. each, .	2	5	0
"	"	Received from Henry Brown the amount he owed me, . . .	5	0	0
"	10	Paid Subscription to Charity, . . .	0	10	0
"	"	Paid Wages for Week, . . .	3	0	0

4. Now in order that the farmer may have a clear statement of the foregoing transactions he must arrange them in such a form that the receipts will be separate from the expenses. For this purpose he chooses two

opposite pages—called a *folio*—of an account book, and he writes the word **Cash** in text hand at the top of each page. In the *left hand* page he enters the money he had in hands at first and all the sums he received, and on the *right hand* page he enters all the sums he paid out. The left hand page he marks **Dr.** and he calls it the *debtor* or *debit* side; the right hand page he marks **Cr.** and he calls it the *creditor* or *credit* side. He writes the word “**To**” before the entries on the **Dr.** side, and “**By**” before those on the **Cr.** side.

5. The reason for making use of these terms is this:—The word “**Cash**” stands for the farmer himself so far as cash is concerned; and he regards himself as *debtor* or *indebted* to the commodities sold out for the sums he receives for them, and as *Creditor* by the commodities purchased for the sums paid for them. Similarly he regards himself as **Dr.** to any person for any sum he received from that person, and **Cr.** by any person for any sum paid to him.

6. When the items of the Waste Book are posted or transferred into the account the whole forms what is called a **Petty Cash Account**, to distinguish it from a **General** or **Ledger Cash Account** which will be afterwards described. A **Petty Cash Account** is a record of small payments and receipts kept independently of other accounts. In **Petty Cash Accounts** the entries specify precisely for what the money comes in, and for what it goes out. It will be seen that a different method is adopted in making entries in **Ledger Cash Accounts**.

7. Instead of two opposite pages, one wide page of a book divided in the middle by a vertical line and having money columns ruled on each side is often used for a

CASH ACCOUNT.

Cash Account. The older book-keepers used to write the title "Cash" on the Dr. side, and the word "Contra" (Lat. *opposite*) on the Cr. side, but this latter term is now rarely used.

8. The abbreviation *Acct.* or *%* is frequently employed for *Account*.

9. The farmer's Cash Account when posted will be as follows :—

DR.			CASH.			CASH.			CR.		
1885.			£	s.	d.	1885.			£	s.	d.
Jan. 5	To balance in hands, .		7	10	6	Jan. 5	By repairs to ploughs, .	0	17	8	
" 6	" Potatoes, 10 cwt. at 3s. 4d., .		1	13	4	" 7	" Coal, 1½ tons at 16s. 6d., .	1	4	9	
" "	" Turnips, 8 cwt. at 1s. 1d., .		0	8	8	" "	" Coal, paid for carriage, .	0	7	6	
" 7	" Sheep, 2 at 4s. each, .		4	10	0	" 8	" Oatmeal, 2½ cwt. at 1s. 8d. per stone, .	1	10	0	
" 9	" Lambs, 2 at 22s. 6d., .		2	5	0	" "	" James Clarke lent him, .	2	10	0	
" "	" Henry Brown received amount he owed me, .		5	0	0	" 10	" Subscription to Charity, .	0	10	0	
						" "	" Wages for week, .	3	10	0	
						" "	" Balance on hands, .	10	17	7	
			21	7	6			21	7	6	
Jan. 10	To balance, brought down,		10	17	7						

10. Posting the Cash Account. Waste Book, Jan. 5 :
Since the Dr. side of the Cash Acct. is reserved for the
Cash in hands and what comes in, the first item of the
Waste Book is transferred to the Dr. side, the entry

being: "To balance in hands £7 10s. 6d." As this sum is a portion of the farmer's *capital* or *stock* the entry might also be: "To Capital" or "To Stock." Waste Book, Jan. 5: This item is an *outlay* and it is therefore entered on the Cr. side of the Account: "By Repairs to ploughs £0 17s. 8d." Waste Book, Jan. 6: These are two *receipts* of money and therefore they are entered on the Dr. side: "To Potatoes" and "To Turnips" for the respective sums. Waste Book, Jan. 7: These being outlays are entered on the Cr. side: "By Coal" and "By Coal, paid for carriage."

11. In a similar way the other items of the Waste Book are "posted" into the account, **all cash receipts being placed on the Dr. side, and all cash expenses on the Cr. side.** In each case the entry specifies for what the money was received or for what it was paid out.

12. After the first entries the words "To" and "By" may be supplied by dots.

13. **Balancing the Cash Account.** The Cash Account now contains the record of the week's transactions, and the farmer may proceed to close it, and to find whether he has kept the account correctly or not. Since the Dr. side contains the cash he had at the beginning of the week and all he received during the week, and the Cr. side contains all he paid out, *the difference of the totals of the two sides must be the cash he has in hands at the end of the week.* These totals are found to be:—Dr. £21 7s. 6d., and Cr. £10 9s. 11d.; the receipts therefore are greater than the outlays by £10 17s. 7d., and hence this must be the sum in hands at the end of the week. The farmer now counts his cash, and if it agrees with this amount he regards his Account as correct.

14. The account may now be closed. It may be compared to a *balance*, the Dr. and Cr. sides representing the scales of the balance, and the entries in each side the weights that may be placed in the scales. And as when these weights are unequal a weight equal to the difference of the total weights in the scales must be placed in the lighter scale in order to balance it or to produce equilibrium, so in the account the difference of the two sides must be added to the less side in order to make both equal; and hence this difference is called the **Balance** of the account. Since the Cr. side of the farmer's account is the less, he places the difference on that side, the entry being: "*By Balance on hands £10 17s. 7d.*" The total is now the same on each side, and to keep up the idea of the pair of scales in equilibrium, the total is entered on the same level on each side.

15. If any lines are left vacant on one side an oblique line is drawn to indicate that the account is closed and that no further entries are to be made on that side. Below the totals it is usual to draw close double lines.

16. **The closing or balance entry.** Since the Dr. side of a Cash Acct. contains the receipts and the Cr. the outlays, and since a person cannot pay away more money than what he has, it follows that the Cr. side of such a cash account as the preceding can never be greater than the Dr. Hence if there be any balance on hands it must always be entered on the Cr. side. One of the peculiarities therefore of a Cash Account is that the closing entry—if there be a closing entry—always appears on the Cr. side.

17. The entry "*By Balance in hands £10 17s. 7d.*" does not denote any business transaction, and though entered

on the Cr. side it does not imply that any money was paid out. It is the *closing entry* of the account and from it the owner of the books learns that he has £10 17s. 7d. in hands. In order to mark this entry as distinct from a business transaction some book-keepers write it in red ink. The Student in his exercises may mark closing entries by italicising—or underlining—them.

18. The Balance therefore of a Cash Acct. always denotes the money in hands at the time of closing the Acct.

19. Balance brought down. It is further usual to bring over the balance of a Cash Account to the Dr. side to indicate that it is money in hands, the entry being "To Balance brought down, £10 17s. 7d."

20. Correction of errors in posting. If the book-keeper finds he has made an error in the posting, he goes over the items of the Waste Book in order tracing them into the Account and marking off each as he finds it correct until he reaches the error. Students may for the present, correct any mistakes they may make, by drawing the pen neatly through the wrong entry and writing the proper one above it.

EXERCISES—PETTY CASH ACCOUNTS.

Make out the Waste Book, and the Cash Account for each of the following sets of transactions, and balance and close each Acct. :—

[NOTE:—In real business the Waste Book is often dispensed with, the entries being made at once in the account.]

1. A gentleman's cash receipts and expenses for a month were as follows :—1885, Jan. 1. In hands, cash £50 12s. 6d. Jan. 2. Paid for House Expenses

£5. 10s. 0d. Jan. 3. Paid quarter's rent of house
 £15 0s. 0d. Jan. 7. Received dividend on shares in
 Great Northern Railway £30 15s. 6d. Jan. 10. Paid
 for 2 tons coal for house, at 17s. 6d. per ton, £1 15s. 0d.
 Jan. 15. Paid for painting house doors, £5 7s. 6d.
 Jan. 20. Received from tenant one quarter's rent,
 £10. Jan. 25. Paid for Kitchen furniture £7 10s. 0d.
 Jan. 29. Paid Grocer's bill, £4 12s. 9d. Jan. 30. Paid
 Butcher's bill, £5 17s. 8d., and Baker's bill, £3 10s. 6d.
 Jan. 31. Paid wages for month £3 5s. 0d.

2. A farmer's receipts and payments of money for a
 week were as follows:—1885, Feb. 2. Cash in hands,
 £15 12s. 6d. Feb. 3. Sold for cash 3 sheep at
 £1 12s. 6d. each, and 2 calves at £3 15s. 0d. each.
 Feb. 4. Bought and paid for 12 lbs. beef at 9½d. per lb.,
 and 10 lbs. bacon at 8½d. per lb. Feb. 5. Paid for 4 lbs.
 tea at 2s. 8d. per lb., and 6 lbs. sugar at 4½d. per lb.
 Feb. 6. Sold for cash 25 stones of potatoes at 5d. per
 stone, and 2½ cwts. of wheat at 8s. per cwt. Feb. 7.
 Paid wages for week £2 2s. 6d., and for repairs to farm
 implements £2 15s. 0d.

3. On Sat., Jan. 10, 1885, a farmer's wife went to
 market with 2s. 6d. in her pocket, and sold for ready
 money 10 lbs. of butter at 1s. 4d. per lb., and 5½ dozen
 of eggs at ½d. each. She bought and paid for 2 lbs. of
 tea at 2s. 6d. per lb., 3 lbs. of coffee at 1s. 6d. per lb.,
 and 6 lbs. of sugar at 3½d. per lb. Draw up the account,
 showing her receipts and expenses, and find how much
 money she took home.

4. A carpenter on the 1st day of June, 1884, had
 £25 10s. 6d. cash in hands. June 5. He paid for timber
 £3 10s. 0d. June 8. He received for work done by him

£5 0s. 0d. June 10. Sold window frames for cash
 £4 12s. 6d. June 15. Paid for carriage of materials,
 13s. 6d. June 20. Received for work done £10 15s. 0d.
 June 25. Paid for repairs of tools, £0 10s. 6d. June 30.
 Paid wages to assistants £5 10s. 0d. June 30. Paid
 for house expenses £5 17s. 6d.

5. A farmer having in his purse £1 12s. 6d. went to a fair on 17th January, and sold for cash 6 sheep at 42s. each, 3 lambs at 25s. each, and 2 pigs at 52s. 6d. each. He bought and paid for 3 cwt. of oatmeal at 1s. 8d. per stone, 2 sacks of flour, each weighing 2 cwt., at 14s. 0d. per cwt., 12 lbs. beef at 9d. per lb., and 10 lbs. of bacon at 8½d. per lb. His personal expenses during the day amounted to 7s. 6d. Make out the account of his receipts and expenditure, and show how much money he took home.

6. A dairy woman on Sat., 3rd Jan., sold for ready money 12 gallons of new milk at 3½d. per quart, 25 lbs. of butter at 1s. 1½d. per lb., and 20 quarts skimmed milk at ½d. per pint. She bought 4 loaves of bread at 5½d. each, 3 lbs. of tea at 2s. 4d. per lb., 6 lbs. of sugar, at 3½d. per lb., and 4 lbs. of candles at 6½d. per lb. Make out the account of her receipts and expenses.

ANSWERS TO EXERCISES IN PETTY CASH ACCOUNTS.

1. Receipts £91 8s. 0d. Expenses, £52 8s. 5d.
 Closing entry: *By Balance in hands* £38 19s. 7d.
2. Closing entry: *By Balance* £23 3s. 5d.
3. Took home £0 7s. 4d.
4. Closing entry: *By Balance* £29 16s. 6d.
5. Took home £17 4s. 11d.
6. Closing entry: *By Balance* £1 11s. 0½d.

EXAMINATION QUESTIONS.

[NOTE :—The numbers prefixed to the questions are those of the Articles in which the answers will be found.]

1. What is Book-Keeping?
2. What is a Waste Book? Why is it so called?
4. What is a Cash Account, and what is its use? What is a "folio"? What names are given to the opposite pages of an account, and how are they marked? What entries are made on the left hand side of a Cash Account, and what on the right? What words are written before these entries respectively?
5. Explain why the left hand page of a Cash Account is called the Dr. side and the right hand the Cr. Why is the word "to" prefixed to an entry on the Dr. side, and "by" to one on the Cr.?
6. What is meant by "posting," the account? What is a Petty Cash Account?
7. How may a "folio" be formed with one page? What is the meaning of the word "contra" sometimes used in an account?
8. What abbreviations are used for "account"?
10. How would you post:—"Cash in hands"; "Money paid for repairs"; "Money paid in wages"; "Money received for potatoes sold"; "A subscription to a charity"; "A loan to James Clarke"?
11. State the general rule for posting into a Cash Account.
13. How would you balance a Cash Account? What do the entries on the Dr. side of a Cash Account denote? What do the entries on the Cr. side denote? What does the difference of the two sides denote? How is it known whether the account has been kept correctly or not?

14 & 15. Why is the difference of the two sides of the Account called the "balance"? Where are the totals placed, and how are they marked? When is an oblique line drawn on one side of an Account, and why?

16. What is one of the peculiarities in the balancing of a Cash Account? Why must the balance of a Cash Account be always entered on the Cr. side? When does a Cash Account close itself?

17 & 18. What does the balance of a Cash Account denote? How is the closing entry marked, and why is it thus marked?

19. What is meant by "balance brought down"?

20. How may errors in posting be corrected?

OTHER FORMS OF CASH ACCOUNTS.

21. In certain cases a Cash Account is drawn up in a different form from the foregoing. If for instance a Housekeeper who receives at the beginning of the week a certain amount for the household expenses, and during the week pays away different sums, kept her account with two opposite pages of a folio, she would have only one entry to make on the Dr. side and all the others would appear on the Cr. side. Hence she may keep only the Cr. side of the account, writing the Dr. entry at the top of the page and ruling it off from the Cr. entries.

22. Suppose on Monday, March 2, a Housekeeper is allowed £3 10s. 0d. for the week's expenses, that she pays ready money for everything she buys, and that the following is the record of her outlays for the week:—
Monday, 2. 6 lbs. soap at 4d. per lb., 6 lbs. starch at 3½d. per lb., and 2 lbs. blue at 8½d. per lb. Tues., 3. 4 loaves at 6d. each, 12 lbs. beef at 10½d. per lb., and 8 lbs. lamb at

CASH ACCOUNT.

11

1s. 2d. per lb. Wed., 4. 4 lbs. tea at 2s. 8d. per lb., and 3 lbs. coffee at 1s. 8d. per lb. Thurs., 5. 6 lbs. sugar at 4d. per lb., 2 lbs. sago at 3½d. per lb., and 4 lbs. raisins at 11d. per lb. Frid., 6. 8 lbs. rice at 4d. per lb. Sat., 7. Shoulder of mutton, 7s. 6d.; fowl, 2s. 0d.; and vegetables, 6d. The account may be in the following form;—

23. HOUSE EXPENSES ACCOUNT FOR WEEK ENDING SAT., MARCH 7, 1885 :

DR.			£	s.	d.
Mon. 2	To amount received for week's expenses, .		3	10	0
CR.					
Mon. 2	By Soap, 6 lbs. at 4d. per lb., .	£ s. d.	0	2	0
" "	" Starch, 6 lbs. at 3½d. per lb.,	0 1 9			
" "	" Blue, 2 lbs. at 8½d. " "	0 1 5			
			0	5	2
Tues. 3	By Loaves, 4 at 6d. each, .	0 2 0			
" "	" Beef, 12 lbs. at 10½d. per lb.,	0 10 6			
" "	" Lamb, 8 lbs. at 1s. 2d. " "	0 9 4			
			1	1	10
Wed. 4	By Tea, 4 lbs. at 2s. 8d. per lb.,	0 10 8			
" "	" Coffee, 3 lbs. at 1s. 8d. " "	0 5 0			
			0	15	8
Thurs. 5	By Sugar, 6 lbs. at 4d. per lb.,	0 2 0			
" "	" Sago, 2 lbs. at 3½d. " "	0 0 7			
" "	" Raisins, 4 lbs. at 11d. " "	0 3 8			
			0	6	3
Fri. 6	By Rice, 8 lbs. at 4d. per lb., .	0 0 0	0	2	8
Sat. 7	By Shoulder of Mutton, . . .	0 7 6			
" "	" Fowl,	0 2 0			
" "	" Vegetables,	0 0 6			
			0	10	0
Sat. 7	Total Expenses during week,		3	1	7
" "	By Balance in hands, . . .		0	8	5
	Total,		3	10	0

24. Form of the Account. The foregoing is the Cr. side of the Cash Account with the one Dr. entry placed at the top of the account instead of being on an opposite page. The housekeeper can thus make use of every page of her account book.

Posting and Balancing the Account. All the items of the Waste Book except the first are *expenses*, and are therefore entered on the Cr. side.

25. The account is balanced and closed in the usual way. The Cr. entries are added up, and the sum taken from the Dr. total £3 10s. 0d. The difference is found to be £0 8s. 5d., and this is entered on the Cr. side: "*By Balance in hands.*" The total on the Cr. side is now equal to the Dr. total at the top of the account.

EXERCISES—HOUSEKEEPERS' ACCOUNTS.

Make out the Cash Account for each of the following sets of transactions, and find in each case the amount in hands at the end of the week:—

1. A housekeeper receives for the week's expenses £3 0s. 0d., and she buys and pays cash for the following:—
1885, Jan. 5. 1 cwt. flour at 15s. per cwt., and 4 stones of potatoes at 5½ per stone. Jan. 6. 2 stone soap at 3s. 6d. per stone, 2 lbs. starch at 4½d. per lb., and ¼lb. blue at 1s. 0d. per lb. Jan. 8. 3 loaves at 5½ each, and 2 lbs. rice at 3½d. per lb. Jan. 9. 4 lbs. butter at 1s. 3d. per lb., and 2 doz. eggs at 11d. per doz. Jan. 10. 10 lbs. of beef at 9½d. per lb., and 6½ lbs. bacon at 10d. per lb.

2. The mistress of a household begins the week with £2 10s. 0d., and her expenses during the week are:—
Mon. 12. 6 lbs. of mutton at 9½d. per lb., 2 lbs. bacon at

10½*d.* per lb., 1½ doz. eggs at 1*d.* each, and 2 lbs. butter at 1*s.* 2*d.* per lb. Wed. 14. 3 loaves at 4½*d.* each, ½ stone flour at 1*s.* 10*d.* per stone, and ½ stone oatmeal at 2*s.* 0*d.* per stone. Sat. 17. 2 lbs. tea at 2*s.* 6*d.* per lb., 3 lbs. coffee at 1*s.* 8*d.* per lb., and 1 stone of sugar at 3*d.* per lb.

3. A housekeeper who is furnished with £2 for a week's expenses lays out cash for the following:—1885, Feb. 2. A leg of mutton, 9½ lbs. at 9*d.* per lb., 4 stone potatoes at 4½*d.* per stone, 4 loaves at 5½*d.* each, and 5 lbs. of butter at 11½*d.* per lb. Feb. 5. A sweeping brush 2*s.* 4*d.*, a hand brush 1*s.* 1½*d.* and a dustpan 1*s.* 6*d.* Feb. 7. Vegetables 1*s.* 2*d.*, 2 quarts of milk at 3½*d.* a quart, 2 stone flour at 1*s.* 10*d.* per stone, and 4 loaves at 5*d.* each.

4. The mistress of a household has in hands at the beginning of the week £3 0*s.* 0*d.*, and her expenses during the week are:—Mon. 9. Week's school fees for children 2*s.* 6*d.*, and school books for do. 2*s.* 4*d.* Tues. 10. 12 yards printed cotton at 5*d.* per yard, 3 yards silk ribbon at 1*s.* 10*d.* per yard, needles and pins 6*d.* Wed. 11. 2 lbs. tea at 2*s.* 10*d.* per lb., and 6 lbs. sugar at 4½*d.* per lb. Thurs. 12. 3 lbs. Sultana raisins at 5½*d.* per lb., 3 lbs. currants at 4*d.* per lb., and ½ lb. pepper at 10*d.* per lb. Sat. 14. Paid Butcher's bill 15*s.* 10*d.*, Baker's bill 9*s.* 6*d.*, and Milk bill 4*s.* 8*d.*

ANSWERS TO EXERCISES IN HOUSEKEEPERS' ACCOUNTS.

1. In hands, £0 13*s.* 0½*d.*
2. „ £1 3*s.* 1½*d.*
3. „ £0 12*s.* 8½*d.*
4. „ £0 3*s.* 5½*d.*

QUESTIONS FOR EXAMINATION.

21. Why is a housekeeper's $\frac{1}{2}$ usually kept in a different form from an ordinary cash $\frac{1}{2}$?

24 & 25. Describe the form of such an acct. and explain how it is posted and balanced.

GENERAL OR LEDGER CASH ACCOUNTS.

26. Merchants in keeping their accounts make use of a book called the **Ledger**, containing a series of accounts, which will afterwards be fully described. The **Cash Account in the Ledger** has the same form as the Petty Cash Account of Art. 9; but the entries in the Ledger Cash Account instead of stating the exact nature of the receipt or the outlay specify for *what other account in the Ledger* the money is received or is paid out.

27. Let us suppose that I, John Merchant, am engaged in business, and that the following are my cash transactions for the month of January, 1885:

1885.			£	s.	d.
Jan.	1	I have in hands, Cash,	50	17	6
"	5	Received for sales of Tea, Sugar, &c., in shop,	12	13	4
"	7	Bought Groceries for Cash,	15	15	0
"	9	Sold for Cash to Henry White, Tea and Coffee,	30	15	6
"	12	Received for Shop Sales,	25	15	0
"	15	Lent Henry White,	50	0	0
"	16	Paid for House Expenses,	7	10	0
"	17	Paid my Subscription to Hospitals,	5	5	0
"	19	Received for Shop Sales,	20	12	8
"	20	Paid Carpenter for repairs to shop,	1	10	0
"	25	Henry White paid me the sum he owed me,	50	0	0
"	29	Received amount of Legacy left me by my late friend, Mr. Edward Grant,	100	0	0
"	30	Paid for 2 tons of Coal for house at 15s. 3d. per ton,	1	10	6
"	31	Paid Wages for month,	10	12	6

28. A Cash Account is opened in the Ledger in exactly the same form as described in Art. 9. The Ledger also contains accounts for my Capital or Stock, for Goods, and for the different merchants with whom I have dealings on credit. The Ledger Cash Account when posted from the foregoing Waste Book is as follows ;—

DR.				CASH.				CR.			
1885.		£	s.	d.	1885.		£	s.	d.		
Jan. 1	To Capital, .	50	17	6	Jan. 7	By Goods, paid for Groceries, .	15	15	0		
" 5	" Goods, received for Sales, .	12	13	4	" "	" Goods, paid for carriage	0	10	6		
" 9	" Goods, sold H. White, .	30	15	6	" 15	" H. White, Loan, .	50	0	0		
" 12	" Goods, received for Sales, .	25	15	0	" 16	" Profit and Loss—house expenses, .	7	10	0		
" 19	" Goods, received for Sales, .	20	12	8	" 17	" Profit and Loss—subscription, .	5	5	0		
" 25	" Henry White, Loan repaid, .	50	0	0	" 20	" Profit and Loss—repairs, .	1	10	0		
" 29	" Capital—Legacy, .	100	0	0	" 30	" Profit and Loss—Coal for house, .	1	10	6		
					" 31	" Profit and Loss—wages, .	10	12	6		
					" 31	" Balance in hands, .	198	0	6		
		290	14	0			290	14	0		
Jan. 31	To balance, brought down, 198	0	0	6							

29. Posting the General Cash Account. Waste Book,
Jan. 1. The cash in hands may be regarded as

coming in from my general *Capital* or *Stock* for this particular business, hence it is placed to the Dr. side of the Cash Account, the entry being: "To Capital, £50 17s. 6d." Waste Book, Jan. 5. The cash comes in, therefore it is placed to the Dr. side; and as it comes *on account of goods* (for which an account is opened in the Ledger) the entry is; "To Goods, received for Shop Sales." The entry should not be "To Sales," because no account in the Ledger has the title "Sales," and in the Ledger Cash Account the entries in all cases specify *for what account* the money comes in or goes out. Waste Book, Jan. 7. The cash goes out, and as "Groceries" belong to the account of "Goods," in the Ledger the entry is: "By Goods, £15 15s. 0d." Jan. 7. The outlay is on account of "Goods," therefore the entry is "By Goods." Jan. 9. Cash comes in on account of Goods, therefore the entry is "To Goods." Jan. 15. Henry White is a merchant with whom I have dealings on credit, and for whom an account is opened in the Ledger, therefore as the cash went out *on account of Henry White*, the entry is: "By Henry White."

30. Jan. 16. An account is opened in the Ledger called the "Profit and Loss" account, in which is entered all losses and gains. A merchant regards as "losses" all outlays for which nothing in the way of commodities is received, or for which no other merchant becomes Dr.; and he regards as "gains" all receipts for which there are no outlays, or for which he himself is not Dr. Hence the items under Jan. 16, Jan. 17, Jan. 30, and Jan. 31, are in each case entered on the Cr. side of the account: "By Profit and Loss," followed by the details of the outlay. Many book-keepers would also enter the

transaction under Jan. 29: "To Profit and Loss, received legacy, £100 os. od."; as, however, this transaction has nothing to do with the carrying on of my business, and as it is neither a loss nor gain arising from the business, it is better to regard this receipt as so much added to my *Capital*, and to post the entry: "To Capital, received legacy, £100 os. od." The item under Jan. 17 should also, perhaps, strictly be entered: "By Capital, paid subscription, £5 5s. od.;" but as the sum is small, and as such subscriptions are expected from business men, it may be posted as stated above.

31. **Balancing the Cash Account.** The account is balanced as described in Art. 13. The Dr. side is found to be £290 14s. od., the Cr. side £92 13s. 6d., and the closing entry is therefore: "*By Balance in hands, £198 os. 6d.*"

32. It will be seen, therefore, that a General Cash Account is kept in the same way as a Petty Cash Account except that the entries in the former specify in all cases the *titles of the Accounts* for which the cash was received or paid out. The reason for this mode of making the entries will appear when we come to consider the Ledger.

EXERCISES.—LEDGER CASH ACCOUNTS.

Make out the Waste Book and the Cash Account for each of the following sets of transactions, and balance and close each Acct.:—

1. Suppose that you are a shopkeeper, and that the following are your money transactions for a week; 1885
Feb. 9. Cash in hands £50 10s. od. Feb. 9. Sold

Goods for Cash £10 12s. 6d. Feby. 10. Bought Goods for Cash £40 15s. 0d. Feby. 10. Cash sales of Goods in shop £12 10s. 8d. Feby. 11. Cash sales in shop £9 10s. 6d. Feby. 11. Paid for house expenses £2 17s. 10d. Feby. 12. Sold Goods for Cash £11 13s. 4d. Feby. 14. Cash sales this day £6 10s. 0d. Feby. 14. Received for Goods sold £9 2s. 6d. Feby. 14. Paid for house expenses £2 12s. 8d., and paid in wages £10 10s. 0d.

2. Cash transactions of Messrs. Taylor Bros., Booksellers, for the month of March, 1885:—Mar. 1. On hands £350 12s. 10d. Mar. 7. Sold for Cash to Henry O'Brien, Books, £30 5s. 0d. Mar. 10. Received from Thos. Jackson for Books sold him £20 7s. 6d. Mar. 15. Cash sales in shop £9 3s. 4d. Mar. 18. Paid for house expenses £2 10s. 0d. Mar. 20. Bought for Cash 50 copies of Goldsmith's Poems at 2s. 6d. per copy, £6 5s. 0d. Mar. 20. Sales in shop, £12 12s. 10d. Mar. 25. Paid rent and taxes £50 10s. 0d. Mar. 28. Paid for binding Books, £5 10s. 0d. Mar. 29. Paid for carriage of Books, £0 5s. 6d. Mar. 31. Paid wages for month £15 0s. 0d.

3. Cash transactions of Henry White, Grocer, for the month of April, 1885:—April 1. On hands £40 10s. 0d. Apr. 3. Bought from John Merchant for Cash, Tea and Sugar, £16 12s. 6d. Apr. 4. Paid for carriage of Groceries, £0 3s. 6d. Apr. 6. Remitted to Warren and Co. for Groceries bought from them £20. Apr. 9. Borrowed from John Merchant, £30 0s. 0d. Apr. 12. Sold Groceries for Cash £25 17s. 6d. Apr. 15. Paid for repairs to shop £2 5s. 0d. Apr. 18. Sold Groceries for Cash £30 15s. 0d. Apr. 20. Remitted to John

Merchant the amount I borrowed from him £30 *os. od.*
 Apr. 25. Paid subscription to charity, £1 *os. od.* Apr. 30.
 Paid wages for month £7 10s. *od.*

[Notes on the preceding Exercises:—Ex. 1. Feby. 10 and 11. The entry in each case is on the Dr. side of the Acct.: "To Goods"—since the Cash came in on account of Goods going out. Feby. 11. "By Profit and Loss." Feby. 14. "By Profit and Loss" in each case.

Ex. 2:—Mar. 7. The entry in the Acct. is:—"To Goods"—"Goods" being the title of the account for *books*. Mar. 15. "To Goods." Mar. 20. "By Goods." Mar. 25. "By Profit and Loss." Mar. 28. The entry in the Acct. is: "By Goods"—since the outlay is on account of the goods. Mar. 29. Same as last entry.

Ex. 3:—Apr. 6. "By Goods." Apr. 15. "By Profit and Loss." Apr. 25 & 30. "By Profit and Loss."]

ANSWERS TO EXERCISES IN LEDGER CASH ACCOUNTS.

1. Closing entry :—*By Balance* £53 14s. *od.*
2. " " *By Balance* £343 1s. *od.*
3. " " *By Balance* £49 11s. 6d.

EXAMINATION QUESTIONS.

26. Describe the form of a Ledger Cash Acct. How do the entries differ from those of a Petty Cash Acct.?

29. How would you post:—"Cash in hands"; "Sold Goods for Cash"; "Received for Shop Sales"; "Paid for Groceries"; "Lent Henry White"?

30. How would you post:—"Paid Hospital Subscription"; "Paid Wages"; "Lost a £5 note"; "Received amount of Legacy"?

31. How is the Ledger Cash % balanced?

32. Compare a Ledger Cash % with a Petty Cash %

CHAPTER II.

PERSONAL ACCOUNTS.

33. If I have dealings with another merchant *on credit*—that is buying goods from him or selling him goods without payment at the time—I may keep a record of the transactions in the form of a **Personal Account**. I open an account in the same form as a Cash Account, but I place as the title of the account the name of the merchant with whom I have credit dealings. On the Dr. side of this account, I enter all sums in goods or cash I pay to the merchant, and on the Cr. side all I receive from him.

34. Suppose the following is a record of my credit dealings with Thomas Adams during the month of June 1885 :—

WASTE BOOK.

1885.			£	s	d.
June	1	Thomas Adams owes me at this date, .	50	10	0
"	5	Sold Thomas Adams goods, . . .	60	12	6
"	10	Thomas Adams paid me on account, .	40	0	0
"	12	Bought from Thomas Adams goods, .	86	15	0
"	20	Sold Thomas Adams goods, . . .	45	10	0
"	30	Thomas Adams paid me on account, .	20	0	0

35. I now open an account for Thomas Adams and post it as follows :—

DR.				THOMAS ADAMS.				CR.			
1885.		£	s.	d.	1885.		£	s.	d.		
June 1	To Capital, .	50	10	0	June 10	By Cash, on					
" 5	" Goods sold				" 12	" Goods	40	0	0		
" 20	" Goods sold	60	12	6	" 30	" bought, .	86	15	0		
	" him,				" 30	" Cash on					
	" him,	45	10	0	" 30	" account, .	20	0	0		
					" 30	" Balance, .	9	17	6		
		156	12	6			156	12	6		
June 30	To Balance										
	brought down,	9	17	6							

36. **Posting the Personal Account.** Waste Book, June 1. This amount was the balance of a former account I had with Thomas Adams. He is Dr. to me for the sum, it is therefore entered on the Dr. side of his account; and as it is a part of my capital or stock on June 1, I enter it: "To Capital." It might also be entered: "To Stock" or "To balance due to me." Waste Book, June 5. The goods are sold on credit to Thomas Adams, who is therefore Dr. for them, and the entry is made on the Dr. side: "To Goods." That it is a credit sale is known from the Waste Book entry because the words "for Cash" do not occur in the entry. It is a rule in Book-keeping that *all sales and purchases for ready money should include the words "for cash" in their statement; and when these words are not used it is understood that the transaction is a credit one.* Waste Book, June 10. Thomas Adams finds it convenient to pay me in cash a portion of what he owes me: this is called "paying on account." He is to be credited for this sum and therefore the entry is on the Cr. side: "By Cash." The other entries are posted similarly.

37. **Balancing the Personal Account.** Thomas Adams' account in my books contains on the Dr. side all the sums in Cash or Goods which I paid to him and for which therefore he is my debtor, and on the Cr. side all the sums in Cash or Goods which he paid to me and for which he is my creditor. The difference between the two sides must therefore be the amount which he owes to me, or which I owe to him. If the Dr. side be the greater I have paid him more than he paid me, and he therefore owes me the difference. If the Cr. side be the greater I owe him the difference.

38. Adding up each side of the account we find the Dr. side to be £156 12s. 6d. and the Cr. £146 15s. 0d. The difference is £9 17s. 6d. and as the Cr. side is the less, this amount is entered on that side: "*By Balance £9 17s. 6d.*" The total of each side is then entered and the balance brought down. The closing entry; "*By Balance £9 17s. 6d.*" shows that Thomas Adams owes me this sum, because I paid him that much more than he paid me.

EXERCISES—PERSONAL ACCOUNTS.

Make out the Waste Book and the Personal Account for each of the following sets of transactions. Balance and close the account, and in each case state what the closing entry implies.

1. I, John Merchant, have the following credit dealings with James Harrison for the month of Jan., 1885:—Jan. 1. I owe James Harrison £50 12s. 6d.
3. Sold Jas. Harrison Goods £25 17s. 8d. 7. Paid James Harrison on account £20 0s. 0d. 15. Bought

from Jas. Harrison Goods £60 15s. 6d. 19. Remitted to James Harrison on account £30 os. od. 29. Sold James Harrison Goods £50 15s. od.

2. The following are my credit dealings with John Jones for the month of April, 1885 :—

Apr. 1. John Jones owes me £150 12s. 6d. 3. Sold John Jones Goods £80 10s. od. 6. John Jones paid me on account £100. 10. Sold John Jones Goods £60 15s. od. 18. Lent to John Jones £50. 20. John Jones paid me on account £30. 25. Received from John Jones on account £50. 30. Sold John Jones Goods £30 12s. 6d.

3. The following are my credit dealings with Henry Hardy for the month of April, 1885 :—Apr. 1. I owe Henry Hardy £25 10s. 6d. 3. Bought from Henry Hardy, Sugar, £30 12s. 10d. 6. Paid Henry Hardy on account £25. 10. Sold Henry Hardy, Coffee £30 17s. 6d. 17. Sold Henry Hardy, Tea £120 10s. od. 25. Henry Hardy paid me on account £100. 29. Bought from Henry Hardy, Sugar, £50 6s. 8d.

4. The following are my credit dealings with William Roberts for the month of November, 1884 :—Novr. 1. I owe Wm. Roberts £50 10s. od. 3. Sold Wm. Roberts 3 chests Tea at £42 per chest, £126 os. od. 5. Wm. Roberts paid me on account £50 os. od. 10. Bought from Wm. Roberts 2 pipes Wine at £60 per pipe, £120 os. od. 17. Paid Wm. Roberts on account £100 os. od. 25. Sold Wm. Roberts 4 chests Tea at £42 5s. od. per chest, £169 os. od. 29. Received from Wm. Roberts on account £174 10s. od.

[Notes on the preceding Exercises :—Ex. 1. Jan. 1. The entry is on the Cr. side of the Acct. : "By Capital." James Harrison is to be

credited with this sum which is owing to him from my Capital.
Jan. 3. "To Goods." Jan. 7. "By Cash."

Ex. 2:—Apr. 1. "To Capital." Apr. 6. "By Cash." Apr. 30.
"To Goods."

Ex. 3:—Apr. 1. "By Capital." Apr. 3. The entry may be either:
"By Goods" or "By Sugar." Apr. 10. Entry on Dr. side either:
"To Goods" or "To Coffee."

Ex. 4:—Nov. 1. "By Capital." Nov. 3. Either: "To Goods" or
"To Tea." Nov. 29. "By Cash."]

ANSWERS TO EXERCISES IN PERSONAL ACCOUNTS.

1. Closing entry: *By Balance* £15 4s. 8d.—showing that James Harrison owes me this sum.

2. Closing entry: *By Balance* £192 10s. 0d.—showing that John Jones owes me this sum.

3. Closing entry: *To Balance* £30 2s. 6d.—implying that I owe Henry Hardy this sum.

4. The account closes itself. Neither of us owes the other anything.

EXAMINATION QUESTIONS.

33 to 35. What is a Personal Acct.? When are Personal Accts. necessary? Describe the form of a Personal Acct.? How is such an % posted?

36. How would you post the following:—"Thos. Adams owes me £100;" "I owe Thos. Adams £50;" "Sold Thos. Adams, Goods, £20;" "Paid Thos. Adams on %, £40;" "Received from Thos. Adams on %, £100." How may it be known from a Waste Book entry whether the transaction was a *cash* or a *credit* one?

37 & 38. What do the entries on the Dr. side of a Personal % in your books denote? What do the entries

on the Cr. side denote? How is the Personal $\frac{1}{2}$ balanced? What does the closing entry denote? Give the reason for your answer.

OTHER FORMS OF PERSONAL ACCOUNTS.

39. In some cases Personal Accounts may be drawn up in a somewhat different form from the foregoing. If, for instance, a shopkeeper who sells goods on credit to a customer on different dates, drew up the account as in Art. 35, all the entries would appear on the Dr. side of the account, and none on the Cr. side. Hence, it is usual to furnish the Dr. side only of the account, and when payment is made, this sum—which is the only Cr. entry—is placed for convenience below the total of the Dr. side. Such an account is called a **Statement of Account** or a **Bill of Book Debts**. It is really the Dr. side of a Personal Account.

40. Let us suppose that Messrs. A. and J. Wardlaw, Wine Merchants, Dublin, have a customer, Mr. James Edwards, to whom, on different dates, they sell on credit as follows:—

WASTE BOOK.

1884.				£	s.	d.
Dec.	1	Sold Mr. Edwards,	8 doz. Port at 48s.			
			per doz.,	19	4	0
"	5	Do. do.	5 doz. Sherry at 36s.			
			per doz.,	9	0	0
"	12	Do. do.	3 doz. Claret at 50s.			
			per doz.,	7	10	0
"	15	Do. do.	1 doz. Champagne at 85s. per doz.,	4	5	0
"	27	Do. do.	4 Bottles Hock at 2s. 6d. per bottle,	0	10	0

41. The account will be furnished to Mr. Edwards as follows :

Dublin,

31st Dec., 1884.

JAMES EDWARDS, Esq., Dr.

To A. and J. WARDLAW.

1884.			£	s.	d.
Dec. 1	To 8 doz. Port at 48s. per doz., . . .		19	4	0
" 5	" 5 doz. Sherry at 36s. " . . .		9	0	0
" 12	" 3 doz. Claret at 50s. " . . .		7	10	0
" 15	" 1 doz. Champagne at 85s. per doz., . . .		4	5	0
" 29	" 4 Bottles Hock, at 2s. 6d. per bottle, . . .		0	10	0
	Total, . . .		£40	9	0

42. When paying the amount of the bill—suppose on 1st Jan., 1885—Mr. Edwards remits the sum along with the account to Messrs. Wardlaw who write the amount received below the Dr. total with the words "By Cash" before it. They then affix a receipt stamp—if the amount is £2 or over—and write across the stamp the signature of the firm, and the date, as follows :—

A. & J. Wardlaw,
1 Jan., 1885.

Total, . £40 9 0
By Cash, . 40 9 0

It is then returned to Mr. Edwards as a receipt for the amount of the bill.

43. It will be seen that this bill is merely the Dr. side of the Personal Account for Jas. Edwards in Messrs. Wardlaw's books, the one Cr. entry being placed on the same side.

44. If the purchases are all made on the same day, and paid for at the time, the bill is usually presented in a slightly different form, and is called a **Shop Bill** or a **Bill of Parcels**.

45. Suppose that on 1st Novr., 1884, Mrs. Robinson bought and paid for the following articles in the shop of Messrs. James Wilson and Co.:—2 pairs of blankets at 15s. 6d. per pair; 24 yards flannel at 1s. 3d. per yard; 12 yards silk at 4s. 8½d. per yard; 8 yards ribbon at 8½d. per yard; and 3 pairs of gloves at 2s. 6d. per pair.

46. The bill will be as follows:—

Dublin, 1 Novr., 1884.

Mrs. Robinson

Bought of James Wilson & Co.

	£	s.	d.
2 pairs Blankets at 15s. 6d. per pair, .	1	11	0
24 yards Flannel at 1s. 3d. per yard, .	1	10	0
12 yards Silk at 4s. 8½d. „ „ .	2	16	6
8 yards Ribbon at 8½d. „ „ .	0	5	8
3 pairs Gloves at 2s. 6d. per pair, .	0	7	6
	<hr/>		
Total, . . .	£6	10	8
By Cash, . . .	6	10	8
	<hr/>		

Jas. Wilson & Co.

1. 11. 84.

47. It will be seen then that a **Statement of Account** or a **Shop Bill** is merely the Dr. side of a Personal Account, the one Cr. entry being placed below the Dr. total. This last entry is of course not made until the account is paid.

48. If the account be not paid at the time of purchasing, and if when paying it the bill itself is not remitted with the amount, the shopkeeper acknowledges having received the sum in the form called a **Receipt** as follows :—

Dublin, 3rd Novr., 1884.

£6 10s. 8d.

Received from Mrs. Robinson the sum of six pounds ten shillings and eight pence, in payment of account dated 1st inst.

Jas. Wilson & Co.

3 11 84.

49. The amount of the sum for which the receipt is given is stated in figures, and is also expressed in words to prevent mistakes. When the amount is £2 or upwards the law requires that the giver of the receipt shall affix a receipt stamp, and write his name, or that of the firm, with the date across the stamp.

EXERCISES—BILLS OF BOOK DEBTS, BILLS OF PARCELS, AND RECEIPTS.

Make out the Statement of Account for each set of transactions Nos. 1, 2, and 3, and the Shop Bill for each of Nos. 4, 5, and 6.

1. Mr. Henry Manning made the following purchases on credit from William Mercer, Draper, Dublin, during the month of January, 1885. The account was furnished to Mr. Manning on the 31st Jany., and he remitted the amount along with the bill on Feby. 2. Jan. 5. 12 yards cloth at 3s. 6d. per yard. Jan. 12. 20 yards linen at 2s. 1d. per yard. Jan. 15. 60 yards calico at 6½d. per yard. Jan. 24. 18 yards flannel at 1s. 1d. per yard, and 20 yards

baize at $8\frac{1}{2}$ per yard. Jan. 30. 1 doz. pair stockings at 1s. 8d. per pair.

2. Messrs. Thomas Moore and Co., Dublin, sold on credit to Mr. Henry Young: 1884, Dec. 1. $6\frac{1}{2}$ doz. claret at 50s. per doz. Dec. 5. $5\frac{1}{2}$ doz. sherry at 36s. per doz. Dec. 12. 4 doz. and 3 bottles of port at 48s. per doz. Dec. 20. 8 bottles burgundy at 36s. per doz., and 2 bottles champagne at 7s. 6d. per bottle. The account was furnished on Dec. 30 and paid the following day.

3. Mr. Wm. Hart bought the following on credit from Messrs. John Simpson and Co., Stationers, Belfast:— 1884, Nov. 3. 20 quires note paper at $4\frac{1}{2}$ d. per quire, and 300 envelopes at $10\frac{1}{2}$ d. per 100. Nov. 10. 5 reams foolscap at 8d. per quire. Nov. 20. 1 gross steel pens at 2d. per dozen, and 3 doz. quill pens at $4\frac{1}{2}$ d. per doz. The account was furnished on 30th Nov. and paid the same day.

4. On 1st Sept., 1884, Mrs. Jennings bought the following from John O'Neill, Grocer, Thomas-st., Dublin: 4 lbs. tea at 3s. 4d. per lb.; 6 lbs. coffee at 1s. 7d. per lb.; 14 lbs. loaf sugar at $4\frac{1}{2}$ d. per lb.; 10 lbs. brown sugar at $2\frac{1}{2}$ d. per lb. The bill was paid at the time of purchase.

5. On 6th Decr., 1884, Henry O'Brien, Victualler, Cork, sold to Mrs. Norton: 10 lbs. beef at $9\frac{1}{2}$ d. per lb.; 6 lbs. mutton at $11\frac{1}{2}$ d. per lb.; $8\frac{1}{2}$ lbs. lamb at 1s. 2d. per lb.; $8\frac{1}{2}$ lbs. corned beef at $8\frac{1}{2}$ per lb. The bill was paid at the time.

6. On 15 Octr., 1884, Miss Woods bought from Messrs. John Nolan & Co., Grocers, Dublin:— $2\frac{1}{2}$ lbs. tea at 2s. 8d. per lb.; 4 lbs. coffee at 1s. 4d. per lb.; $6\frac{1}{2}$ lbs. sugar at $4\frac{1}{2}$ d. per lb.; $4\frac{1}{2}$ lbs. raisins at 5d. per lb.; $10\frac{1}{2}$ lbs. currants at 4d. per lb. Amount of bill paid at the time.

7. In Exercise No. 1, if Mr. Manning remitted the amount without the bill, write out the form of the receipt that would be sent him by Wm. Mercer.

8. Write out the receipt that would be sent to Mr. Henry Young (Exercise No. 2), if the bill were not sent in to be marked "paid."

9. Give the similar receipt in the case of Exercise 3.

10. Give your own receipt, dated 1st January, 1885, to Mr. Henry West, for the sum of £50 12s. 6d., paid to you on account.

ANSWERS TO EXERCISES IN BILLS OF BOOK DEBTS, BILLS OF PARCELS, AND RECEIPTS.

1. Closing entry : Feb.	2. By Cash £ 8 9s. 10d.
2. " " Dec. 31.	By Cash £38 6s. 0d.
3. " " Nov. 30.	By Cash £ 3 19s. 11d.
4. " " "	By Cash £ 1 10s. 2d.
5. " " "	By Cash £ 1 9s. 7½d.
6. " " "	By Cash £ 0 19s. 9½d.

EXAMINATION QUESTIONS.

39 to 43. What is a Statement of Account? What other name is given to it? Show that it is a form of a Personal A/c. Why is it drawn up in this form? Give an example of a Statement of Acct.

42. How is the Acct. closed?

44 to 46. What is a Shop Bill? By what other name is it called? Give an example of a Shop Bill.

47. Show that a Shop Bill is really a form of Personal Acct. How is the Acct. closed?

48 and 49. What is a Receipt? Give an example. When is a stamp required on a receipt?

CHAPTER III.

REAL ACCOUNTS.

50. We have learned in Chap. I. how a person may keep an account of his Cash transactions. If he is engaged in buying and selling Goods of any kind he may in a similar way keep a record of his dealings in these Goods. Accounts of Goods, or of Cash, or of any kind of property, are called **Real Accounts** (from the Lat. *res*, a thing). The form of a **Goods Account** is the same as that of a **Cash Account**. Two opposite pages of an account book with columns for money—or one page of a book divided in the middle, and containing double money columns—are headed with the title “Goods,” the left side being marked **Dr.**, and the right **Cr.** The **Dr. side** is reserved for **Goods on hand** or which come in, and the **Cr. side** for the **Goods sold out**.

51. Let us suppose that I, John Merchant, have the following transactions in Goods for the month of May, 1885:

WASTE BOOK.

1885.			£	s.	d.
May	1	I have on hands Goods value,	120	10	0
"	3	Bought Goods for cash,	50	12	6
"	10	Sold James Henry, Goods,	60	10	0
"	15	Sold for cash, Goods,	35	15	6
"	20	Bought from Henry Williams, Goods,	80	10	0
"	29	Sold for cash, Goods,	25	0	0
"	31	Took Stock and found on hands Goods value,	135	10	0

52. The foregoing transactions are posted into the Goods Account, as follows :—

Dr.			Goods.			Cr.			
1885.		£	s.	d.	1885.		£	s.	d.
May 1	To Capital, .	120	10	0	May 10	By James			
" 3	" Cash, .	50	12	6		Henry,	60	10	0
" 20	" Henry Wil-				" 15	" Cash, .	35	15	6
	liams, .	80	10	0	" 29	" Cash, .	25	0	0
" 31	" Profit and				" 31	" Balance			
	loss—gain,	5	3	0		on hands,	135	10	0
		256	15	6			256	15	6
" 31	To Balance								
	broughtdown.	135	10	0					

53. **Posting the Goods Account.** Waste Book, May 1. The Goods are on hands and are therefore (Art. 50) entered on the Dr. side: "To Capital" or "To Stock," or "To balance on hands"—this entry indicating that the Goods form a part of my capital or stock at the time of opening the account. May 3. The Goods come in, therefore the entry is on the Dr. side, and as they come in on account of Cash going out for them, the entry is: "To Cash." May 10. The Goods go out to James Henry, who has bought them on credit and is responsible for the price; the entry is therefore (Art. 50) on the Cr. side: By James Henry." Similarly the entries down to May 29 are posted.

54. The Goods Account therefore contains on the Dr. side all the Goods on hands when beginning business, and all received during the business, with the values of these Goods, and on the Cr. side all the Goods sold out and the values. The money columns therefore on the

Dr. side show the **expenses** for the Goods, and on the Cr. side the **receipts** for the Goods during the month.

55. **Balancing the Goods Account.** If at the end of the month all the goods were sold, then the total of the sums of money on the Dr. side would be the *total expenses* for goods, and the total on the Cr. side the *total receipts*, and consequently the difference of these totals on the Dr. and Cr. sides would be the **gain** or the **loss** on goods during the month. But it rarely happens that all the goods are sold out when a merchant wishes to close the account, and it is evident that in order to find the gain or the loss the merchant must add to the Credit side the value of the goods remaining on hands at the time of closing the account. In real business a merchant finds the value of the goods on hands by going through his warerooms or shop, making an inventory of his goods, and valuing them *at the price they are then worth*. This is called **Taking Stock**. The values assigned to the goods are not those paid for them, but the prices which the merchant expects to get for them—that is their actual value at the time of taking stock.

56. In the preceding transactions, as stated in the last entry of the Waste Book, I took stock on May 31st and found goods worth £135 10s *cd.* on hands. This sum is entered on the Cr. side of the account with the words "*By Balance on hands*"—this entry being underlined to show that it does not represent any business transaction. The Cr. side of the account now shows the receipts together with the value of the goods on hand, the Dr. sides shows all the outlays for goods, and therefore the difference of the two sides must be the *gain* or the *loss*. If the Dr. side is the greater there is *loss*, for the expenses

are greater than the receipts ; but if the Cr. side is the greater there is *gain*, for the receipts are greater than the expenses. The total of the Dr. side of this account is found to be £251 12s. 6d. and that of the Cr. £256 15s. 6d. : the receipts are therefore greater than the expenses by £5 3s. 0d., which is consequently the gain on Goods during the month. Turning therefore to the Dr. or less side we make the entry: "*To Profit and Loss—gain, £5 3s. 0d.*," and both sides of the account are now equal. This last entry is also underlined to show it is a closing entry.

57. **The Closing entries of the Goods Account.** The closing entries show :—(1), that there are Goods on hands on May 31 value for £135 10s. 0d. ; and (2), that there was a gain on goods of £5 3s. 0d.

58. **Double Balance.** A Goods Account is therefore usually closed by a *double balance*, namely by (1), adding to the Cr. side the value of the goods on hands, writing: "*By Balance on hands*"; and (2), finding the difference of the Dr. and Cr. sides and entering it on the less side, writing: "*To*" or "*By Profit and Loss*" before this sum.

59. **The first of these entries shows the value of the goods remaining on hands, the second shows the gain or the loss.** If the second entry appears on the Dr. side there is gain, for the receipts are greater than the expenses ; if it appears on the Cr. side there is loss, for the receipts are then less than the expenses.

60. **Cases in which a Goods Account is closed by a Single Balance :—**(1), *If there are no goods on hands at the time of balancing.* The Account is then closed by adding up each side, finding the difference, and entering it "*To*" or "*By Profit and Loss*" on the less side.

(2), *If there are goods on hands, but neither loss nor gain on the transactions.* The only closing entry in this case is that on the Cr. side: "*By Balance on hands.*"

In each of the above cases the Goods Account is closed by a *Single Balance*.

61. Finally, if there are no goods on hands, and if there has been neither gain nor loss, the Goods Account closes itself. The totals of the Dr. and Cr. sides will be equal, and the account is closed by entering these totals and drawing double lines under them.

62. [NOTE: The balancing of the Cash Acct. forms an exception to the statement "Real Accts. are closed by a double balance." A Cash Acct. is a Real Acct. which is closed by a *single* balance. This is the second peculiarity of a Cash Acct. See Art. 16.]

63. **Goods Account with inner columns.** In keeping a Goods Account the *quantities* of the goods received and sold may be entered in **inner columns** on the Dr. and Cr. sides of the account, and the difference of the sums of these columns at the time of closing the account will be the *Stock on hands*.

64. Let us suppose that I am a Tea Merchant and that the following are my dealings in Tea for a month :

1885.		WASTE BOOK.	£	s.	d.
Feb.	1	I have on hands Tea, 10 chests, at £40 per chest,	400	0	0
"	5	Sold Henry Morris 2 chests Tea at £42 10s. od. per chest,	85	0	0
"	7	Bought from James Harte for cash 5 chests Tea at £40 5s. od. per chest,	201	5	0
"	10	Paid for carriage of Tea bought on 7th inst.,	0	17	6
"	15	Sold William Wilson 3 chests Tea at £42 5s. od. per chest,	126	15	0
"	20	Sold for cash to Messrs. Brown and Co. 2 chests damaged Tea at £30 per chest,	60	0	0
"	25	Sent home $\frac{1}{2}$ chest of Tea for use in the house, value	20	0	0
"	28	Balanced and closed the account, valuing Tea on hands at £40 per chest.			

65. The Account will be as follows :—

Dr.					Tea.					Cr.				
1885.		Chests	£	s.	d.	1885.		Chests	£	s.	d.			
Feb. 1	To Capital, .	10	400	0	0	Feb. 5	By Henry							
" 7	" Cash, .	5	201	5	0	" 15	" Morris, .	2	85	0	0			
" 10	" Cash, .	-	0	17	6	" 20	" Wm. Wilson,	3	128	15	0			
						" 25	" Cash, .	2	60	0	0			
						" 25	" Profit and							
						" 28	" Loss, .	0½	20	0	0			
						" "	" Balance, .	7½	300	0	0			
						" "	" Profit and							
						" "	" Loss--Loss,	-	10	7	6			
		15	602	2	6			15	602	2	6			

66. **Posting the Tea Account.** The entries are made precisely as described in Art. 53, only that in addition the number of chests of tea on hands or received is entered in each case in the *inner column* on the Dr. side, and the number sold at any time is entered in the column on the Cr. side. On Feby. 25, $\frac{1}{2}$ chest was used in house expenses, and therefore, by Art. 30, the entry is on the Cr. side : " By Profit and Loss."

67. **Balancing the Tea Account.** The inner column on the Dr. side shows the amount of Tea received, and on the Cr. side the amount that went out : the difference of the totals of the inner columns must therefore be the quantity of Tea on hand on Feby. 28. This difference is $7\frac{1}{2}$ chests, worth £300 os. 0d. The account is now closed exactly as in Art. 55. The *balance entry* shows the amount of Tea on hands and its value ; the *Profit and Loss closing entry* shows that I lost on Tea £10 7s. 6d.—since my expenses were greater by that amount than my receipts and the value of the stock on hand. The sum £10 7s. 6d. is my loss on trading in Tea, and does not include the price of the $\frac{1}{2}$ chest sent home on the 25th

for house expenses. If this be considered "loss" the total loss will amount to £30 7s. 6d.

EXERCISES—REAL ACCOUNTS.

Write out the Waste Book in proper form and make out the Real Account for each of the following sets of transactions. Balance and close the account and state in each case what the closing entries imply.

1. John Merchant has the following dealings in Goods for the month of November, 1884:—Nov. 1. On hands this day Goods, value £50 10s. 0d. Nov. 6. Bought Goods for cash, £30 12s. 6d. 10. Paid for carriage of Goods £1 15s. 0d. 15. Sold James Henry, Goods, £25 15s. 6d. 20. Sold to Wm. Jones for cash, Goods, £10 12s. 0d. 25. Bought from Wm. Browne, Goods, £25 0s. 0d. Nov. 30. Took Stock and found on hands Goods value £75 0s. 0d.

2. The following are Henry Draper's dealings in Cloth for the month of December, 1884:—Dec. 1. On hands 80 yards Cloth, value 2s. 6d. per yard, £10 0s. 0d. 5. Bought for cash 120 yards Cloth, at 2s. 3d. per yard, £13 10s. 0d. 6. Paid for carriage of Cloth £0 10s. 6d. 10. Sold to John Jones 50 yards Cloth, at 3s. per yard, £7 10s. 0d. 15. Sold to Scott Bros. for cash 80 yards Cloth, at 2s. 9d. per yard, £11 0s. 0d. 30. Sold for cash 20 yards damaged Cloth, at 1s. 0d. per yard, £1 0s. 0d. 31. Balanced and closed the account. The Cloth on hands being damaged is worth 1s. 6d. per yard.

3. Francis Davis, Wine Merchant, has the following dealings in Wine for the month of Jany., 1885: Jan. 1. On hands Wine, 4 pipes at £70 per pipe, £280 0s. 0d.

10. Sold for cash to Edward Day 2 pipes Wine at £75 per pipe, £150 os. od. 16. Sold to Henry Williams 1 pipe Wine at £72 10s. od. 25. Bought from Hill and Co. 3 pipes, at £70 per pipe, £210 os. od. 29. Sent $\frac{1}{2}$ a pipe of Wine to be used in the house, value £35 os. od. 30. Sold $3\frac{1}{2}$ pipes Wine for Cash, at £70 per pipe, £245 os. od. 31. Balanced and closed the account.

4. The following are the dealings in Books of Thomas White, Bookseller, for the month of February, 1885:—Feb. 2. On hands Books value £520 12s. 10d. 4. Bought from Foster and Co. Books, £120 12s. 6d. 5. Paid for Carriage of Books £0 14s. 8d. 7. Sales of Books in shop for the week, £10 15s. 10d. 10. Sold to Rivington and Co. Books, £250 10s. od. 16. Paid Martin and Co. for Binding Books £25 15s. 6d. 21. Bought from Longmans and Co. for Cash, Books, £110 os. od. 21. Sales of Books in shop up to date £30 12s. 8d. 25. Sold to Simpkin and Co. for Cash, Books, £220 10s. od. 28. Took stock and found on hands Books value £265 7s. od.

[Notes on preceding Exercises:—In Exercises 2 and 3 the accounts may be kept with or without *inner* Columns. Ex. 2. Dec. 30. The entry is: "By Cash £1 os. od." Ex. 3. Jan. 29: "By Profit and Loss—house expenses, £35." In balancing the accounts, refer to Arts. 55 to 63.]

ANSWERS TO EXERCISES IN REAL ACCOUNTS.

1. Closing entries: (1) *By Balance* £75 os. od.; (2) *To Profit and Loss* £3 10s. od. From (1) John Merchant learns that on Nov. 30 he had Goods on hands to the value of 75 os. od., and from (2) that he gained on Goods £3 10s. od.

2. Closing entries : (1) *By Balance* £3 15s. od. ; (2) *By Profit and Loss*, £o 15s. 6d. From (1) Henry Draper learns that on Dec. 31 he had Cloth on hands to the value of £3 15s. od., and from (2) that he lost on Cloth £o 15s. 6d.

3. Closing entry : *To Profit and Loss* £12 10s. od. Since there was no Balance closing entry, there was no Wine on hands on Jan. 31. Francis Davis gained on Wine £12 10s. od. (This amount is the gain resulting from his *trade* and without taking into account the "loss" of the Wine given over for house expenses on the 29th.)

4. Closing entry : *By Balance* £265 7s. od.—showing that on Feb. 28 Thos. White had Books on hands to the value of £265 7s. od. Since there is no other closing entry, there was neither loss nor gain.

MISCELLANEOUS EXERCISES IN CASH, GOODS, AND PERSONAL ACCOUNTS.

From each of the following statements of business transactions make out a Cash Acct., a Goods Acct., and a Personal Acct., and balance and close each of the accounts.

(1.) Henry Mercer has the following business dealings for the month of Sept., 1884 :—Sept. 1. On hands Cash £361 os. 6d. and Goods value £160 12s. 6d. Sept., 1. John Roberts owes him £80 10s. od. 10. Paid for house expenses £10 15s. od. 15. Sold to Henry Jones Goods for Cash £80 12s. 6d. 20. Sold John Roberts Goods £60 10s. od. 25. Bought from Fawcett & Co. for Cash, Goods, £75 15s. od. 27. Received from John Roberts on $\frac{1}{2}$ £150 os. od. 30. Paid wages for

month £10 os. od. 30. Took stock and found on hands Goods value £95.

(2.) John Merchant has the following business dealings for the month of February, 1885:—Feb. 1. Cash in hands £240 12s. 6d., Goods on hands value £500 17s. 8d., Henry West owes him £120 10s. od. 5. Bought Goods for Cash £50 17s. 6d. 7. Received from Henry West on account £80 os. od. 10. Sold Henry West, Goods £50 10s. od. 12. Sold Goods for Cash £60 12s. 6d. 13. Bought for Cash from John Short, Goods £120 17s. 6d. 14. Paid for Carriage of Goods £1 5s. od. 20. Sold Henry West, Goods £90 10s. od. 24. Lent Henry West £100 os. od. 27. Received from Henry West on acct. £120 os. od. 28. Paid Wages for month £7 10s. od. 28. Took Stock and found on hands Goods value £490 os. od.

(3.) Adam Goodman has the following business dealings for the month of January, 1885:—Jan. 1. Cash in hands £140 15s. 10d., Goods in hands value £450 10s. od., and he owes John Harris £50 10s. od. 3. Paid John Harris on $\frac{1}{2}$ £30 os. od. 7. Sold Goods to Henry Hardy for Cash, £150 12s. 6d. 9. Bought from John Harris, Goods, £30 17s. 6d. 10. Paid for carriage of Goods £0 5s. 6d. 12. Paid House expenses £5 10s. od. 15. Sold Goods for Cash £108 15s. od. 17. Paid John Harris on $\frac{1}{2}$ £50 os. od. 20. Bought Goods for Cash £80 10s. od. 27. Lent John Harris £30 os. od. 30. Paid petty expenses £1 10s. od. 31. Paid Wages £5 12s. 6d. 31. Received from John Harris on $\frac{1}{2}$ £50 os. od. 31. Took Stock and found on hands Goods value £220 os. od.

(4.) A schoolboy, Tom Brown, found on 1 Dec., 1884,

that he had in his purse £0 16s. 0d. Cash, and that he had Goods in his possession to the value of £2 3s. 7d.—namely, a watch 30s., a penknife 2s., books 3s. 6d., marbles 3d., tops 4d., fishing tackle 7s. 6d. His brother Jack owes him 2s. 6d. Dec. 2. Bought for cash 2 rabbits, a white and a black one, at 1s. 6d. each, 3s. 4. Bought for cash vegetables for rabbits, 1s. 6d. 6. Lent brother Jack 1s. 6d. 8. Bought for cash "Anson's Voyages," 1s. 6d. 10. Received second prize in writing from Messrs. Alex. Thom and Co., £1 10s. 0d. 12. Bought for Cash a pocket knife, 3s. 13. Bought for Cash from cousin Fred his fox terrier, 10s. 6d. 15. Received from Jack on account, 2s. 20. Sold his penknife to cousin Fred for 2s. 3d. Cash. 21. Won at the School Examinations prizes in Arithmetic, Algebra, and Book-keeping, total 18s. 9d. 22. Black rabbit died, loss 1s. 6d. 23. Sold his tops to Jack for Cash, 4d. 24. Bought for Cash an inkstand as a Christmas box for Jack, 12s. 6d. 25. Paid for Christmas cards and postage 2s. 3d. 26. Received Christmas boxes value 15s. 0d. 27. Expenses of a Christmas excursion trip, 10s. 6d. 28. Received from Jack on account, 1s. 6d. 29. Bought for Cash "The Pickwick Papers" and "Robinson Crusoe," 6s. 6d. 30. Made a present of his terrier to Tom Jones, 10s. 6d. 31. Took Stock and found goods on hand to the value of £3 2s. 3d.—namely, watch 30s., books 9s. 6d., marbles 3d., fishing tackle 7s. 6d., rabbit 2s. 6d., Christmas presents value 10s., pocket-knife 2s. 6d.

[Note: In each exercise each Acct. is to be made out independently of the other Accts. In making out the Cash $\frac{1}{2}$ the items of the Waste Book that refer to cash transactions only are to be posted into the Acct., the others being passed over. Similarly in the case of the Goods $\frac{1}{2}$ and the Personal Acct].

ANSWERS TO MISCELLANEOUS EXERCISES.

1. Cash Acct. :—Closing entry :

By Balance, £495 3s. od.

Goods Acct. :—Closing entries :

(1) *By Balance,* £ 95 0s. od.

(2) *By Profit and Loss,* . . . £ 0 5s. od.

John Roberts' Acct. :—Closing entry :

To Balance, £ 9 0s. od.

2. Cash Acct. :—Closing entry :

By Balance, £220 15s. od.

Goods Acct. :—Closing entries :

(1) *By Balances,* £490 0s. od.

(2) *To Profit and Loss,* . . . £ 17 14s. 10d.

H. West's Acct. :—Closing entry :

By Balance, £161 0s. od.

3. Cash Acct. :—Closing entry :

By Balance, £318 15s. 4d.

Goods Acct. :—Closing entries :

(1) *By Balance,* £220 0s. od.

(2) *By Profit and Loss,* . . . £ 10 15s. 6d.

John Harris's Acct. :—Closing entry :

To Balance, £ 21 7s. 6d.

4. Cash Acct. :—Closing entry :

By Balance, £ 0 18s. 1d.

Goods Acct. :—Closing entries :

(1) *By Balance,* £ 3 2s. 3d.

(2) *By Profit and Loss,* . . . £ 0 7s. 9d.

Jack's Acct. :—Closing entry :

By Balance, £ 0 0s. 6d.

EXAMINATION QUESTIONS.

50 to 52. What are Real Accts.? Why so called? Is a Cash $\frac{1}{2}$ a Real $\frac{1}{2}$? Describe the form of a Real $\frac{1}{2}$. What entries are made on the Dr. side, and what on the Cr. side of a Real $\frac{1}{2}$?

53. How would you post:—"Goods on hands": "Bought Goods for Cash": "Sold Goods to James Henry"?

54. What do the entries on the Dr. side of a Goods $\frac{1}{2}$ denote? What those on the Cr. side? On which side are the *expenses*, and on which the *receipts*?

55 & 56. State how a Goods $\frac{1}{2}$ is balanced, and give the reason of the process. How would you balance a Goods $\frac{1}{2}$ if all the Goods had been sold? How if there are Goods remaining unsold? What is "taking stock"? What values should be given to goods on hands?

57 to 59. What are the closing entries of a Goods $\frac{1}{2}$, and what do they respectively denote?

60 to 61. When is a Goods $\frac{1}{2}$ closed by a "double balance"? When by a "single balance"? When does it close itself?

62. What are the two peculiarities in the balancing of a Cash Acct.? See Art. 16.

63. What is the use of "inner columns" in a Goods $\frac{1}{2}$?

64 to 66. How would you post:—"Tea on hands": "Tea sent home for house use"?

67. How would you balance a Tea Acct.? What does the balance closing entry show? What does the Profit and Loss closing entry show?

CHAPTER IV.

DOUBLE ENTRY BOOK-KEEPING.

68. We have seen in the forgoing chapters how a merchant may keep an account of his Cash payments or receipts, or his dealings in Goods, or his business transactions with another merchant. This method of keeping accounts is called **Book-keeping by Single Entry**, because each transaction is entered but once and in one account only. But in keeping a record of his affairs in this way a merchant has no means of testing whether he is keeping his accounts correctly or not; and he is unable to learn from his books at any time the precise state of his affairs—that is to know how much he is worth and whether he is losing or gaining in his business. These objects are however obtained by the system called **Book-keeping by Double Entry**.

69. **Double Entry**. In this mode of keeping a merchant's books, a **Waste Book** is used for recording the transactions as they occur in order of date. This book has already been described and examples of it given in Arts. 3, 27, 34, and 40. In another book called the **Ledger** the merchant opens a series of accounts for Cash, for the Goods he is dealing in, and for the different merchants with whom he has dealings on credit. These accounts are similar to those given in Chapters I., II., and III. Besides the accounts for Property (Cash, Goods, &c.), and for the persons with whom he is dealing, the merchant also opens in his **Ledger** accounts called **Fictitious** or **Nominal**, which serve for opening and closing the ledger.

70. The accounts of the ledger therefore may be divided into three classes.

(1.) **Real** (from Lat., *res*, a thing) or **Property Accounts**, which are accounts of the several kinds of property the merchant possesses, such as Cash, Tea, &c.

(2.) **Personal Accounts**, which are accounts with the persons with whom the merchant has dealings on credit.

(3.) **Fictitious** or **Nominal Accounts**, which contain a statement of the merchant's capital at the time of opening and closing the books, and of his gains or losses during the time the books were open. These accounts also serve to test whether the books have been kept correctly or not. The chief Fictitious accts. are **Capital** or **Stock Account**, **Profit and Loss Account**, and **Balance Account**. They are called *Fictitious* accounts because they do not contain any record of the merchant's business dealings. They serve to collect from other accounts the results of these dealings.

71. [Note: The Profit and Loss Acct. forms a partial exception to the foregoing statement. It frequently contains entries which are records of the merchant's dealings as well as the statements of his gains and losses derived from other accounts.]

72. Let us suppose that the following is a statement of my business transactions for a month :—

WASTE BOOK.

1885.		£	s.	d.
May	1 I have on hands at this date :			
	Cash,	350	12	6
	Goods,	120	10	0
"	5 Sold Goods for Cash,	25	6	8
"	10 Bought Goods for Cash,	100	0	0
"	11 Paid for carriage of Goods,	1	10	0
"	15 Sold Goods for Cash,	130	12	6
"	25 Bought Goods for Cash,	50	10	0
"	30 Received for sale of Goods,	45	12	6
"	31 Took stock and found Goods on hand, value,	80	0	0

73. If I wish to keep a record of the foregoing by the method of Double Entry, so that I may be able to learn the precise state of my affairs at any time, and may also be able to know whether my accounts have been kept correctly or not, I first open in the ledger a Capital or Stock Acct. which will contain a statement of the capital I employ in the business. Looking over the Waste Book I find no Personal accts. will be required since there were no dealings on credit, and that the only Real accounts required are two, namely a Cash account and a Goods account. In addition to these, two other accounts are required for closing the ledger—a Profit and Loss account which will contain an account of any gains or losses, and a Balance account which is used for closing the other accounts and which will contain a statement of my affairs at the time of closing the books. This series of accounts in the ledger will then be as follows :—

LEDGER.

Dr.			CAPITAL			Cr.			
1885. May 31	To Balance— net estate, .	£ 480	s. 4	d. 2	1885. May 1 " 31	By Sundries, . " Profit and loss—gain,	£ 471 9	s. 2 1	d. 6 8
		480	4	2			480	4	2

DOUBLE ENTRY.

47

DR.			CASH.			CR.		
1885.			£	s.	d.	1885.		£ s. d.
May 1	To Capital,	.	350	12	6	May 10	By Goods,	. 100 0 0
" 5	" Goods,	.	25	6	8	" 11	" Goods,	. 1 10 0
" 15	" Goods,	.	130	12	6	" 25	" Goods,	. 50 10 0
" 30	" Goods,	.	45	12	6	" 31	" Balance,	. 400 4 2
			552	4	2			552 4 2

DR.			GOODS.			CR.		
1885.			£	s.	d.	1885.		£ s. d.
May 1	To Capital,	.	120	10	0	May 5	By Cash,	. 25 6 8
" 10	" Cash,	.	100	0	0	" 15	" Cash,	. 130 12 6
" 11	" Cash,	.	1	10	0	" 30	" Cash,	. 45 12 6
" 25	" Cash,	.	50	10	0	" 31	" Balance on hands,	. 80 0 0
" 31	" Profit and loss—gain,	.	9	1	8			281 11 8
			281	11	8			

DR.			PROFIT AND LOSS.			CR.		
1885.			£	s.	d.	1885.		£ s. d.
May 31	To Capital—net gain,	.	9	1	8	May 31	By Goods,	. 9 1 8

DR.			BALANCE.			CR.		
1885.			£	s.	d.	1885.		£ s. d.
May 31	To Cash,	.	400	4	2	May 31	By Capital—net estate,	. 480 4 2
"	" Goods,	.	80	0	0			480 4 2
			480	4	2			

75. Posting the Ledger. The items of the Waste Book are posted into the ledger accounts in the way already described in Arts. 10, 29, 36, &c., only that in addition to posting each sum to one side of an account, the same sum is posted to the opposite side of another account. Thus in the first entry of the Waste Book under date May 1, Cash and Goods may be regarded as *coming in* from my general capital for this particular business, and therefore on the debit sides of the Cash and Goods accounts the entries are made respectively: "To Capital, £350 12s. 6d.," and "To Capital £120 10s. 0d.," as in Arts. 29 and 53. But as the Cash and Goods are supposed to come in from Capital, the Capital Account must now be credited with the sum of both Cash and Goods. I therefore now turn to the Cr. side of the Capital Account and enter: "By Cash and Goods" or "By Sundries £471 2s. 6d."—where "Sundries" stands for the *sundry* or *several* accounts of Cash and Goods. Thus the Cr. side of the Capital Account contains the amount of the stock (Cash and Goods) which I embark in the business, that amount being equal to the sum of the two amounts appearing on the Dr. of Cash and of Goods respectively.

76. On May 5, Cash for £25 6s. 8d. came in, and Goods to the same value went out. Since the Cash came in it must be posted to the Dr. side of the Cash Account, the entry being: "To Goods £25 6s. 8d.," because it was on account of Goods the Cash was received. On the same day Goods to the value of £25 6s. 8d. went out; this sum must therefore, by Art. 50, be posted to the Cr. side of the Goods Account, the entry being: "By Cash £25 6s. 8d. Thus once more the same sum appears

on the Dr. side of one account and the Cr. side of another account. Each entry always affects *two* accounts at least, and the same sum is therefore posted twice over—to the Dr. side of one account and to the Cr. of another—and hence this method is called **Book-keeping by Double Entry**.

77. On May 10, I post to the Dr. of Goods and Cr. of Cash, because the goods came in and cash went out. On May 11, Cash went out on account of Goods, therefore I post to Dr. of Goods and Cr. of Cash. The other entries up to that under May 30 are similarly posted.

78. It should be noticed that the entry in any account is always *To* or *By some other Account*, so that the name of any account does not occur in the postings into that account.

79. **Trial Balance.** Since in posting, the same sum is entered on the Dr. side of one account and on the Cr. of another, it follows that at the end of any posting the sum of all the Dr. entries in the ledger must be equal to the sum of all the Cr. entries. Hence when all the entries are posted the correctness of the work so far should be tested by finding whether the sum of the Dr. entries is equal to that of the Cr. entries. This is usually done in the following form, which is called the

80.

TRIAL BALANCE.

			DR.			CR.		
			£	s.	d.	£	s.	d.
Capital,	.	.	—	—	—	471	2	6
Cash, .	.	.	552	4	2	152	0	0
Goods,	.	.	272	10	0	201	11	8
			824	14	2	824	14	2

81. The **Trial Balance** contains the names of all the accounts in the ledger into which postings have been made, together with the sums of the Dr. and Cr. sides respectively of each account. In this ledger these accounts are Capital, Cash, and Goods. The Capital acct. contains nothing on the Dr. side and £471 2s. 6d. on the Cr. The totals of the Cash acct. are Dr. £552 4s. 2d. and Cr. £152 0s. 0d.; and of the Goods acct. Dr. £272 10s. 0d., Cr. £201 11s. 8d. Now if the sum of all the Drs. be equal to that of all the Crs. the posting may be regarded as correct; if they differ some error must have been made.

82. The Trial Balance being found to give equal sums for the Dr. and Cr. sides we proceed to balance the accounts and to close the ledger.

83. **Balancing the Accounts.** The first account in the ledger, the **Capital Account**, is left last in the balancing.

84. The **Cash Account** is balanced precisely as explained in Art. 13. The difference of the Dr. and Cr. sides is readily found from the Trial Balance to be £400 4s. 2d.; and the closing entry of the Cash acct. is therefore: "*By Balance* £400 4s. 2d." This sum being entered on the Cr. side of the Cash acct. is by the principle of *double entry* transferred to the Dr. side of the Balance Acct., the entry being: "*To Cash* (the account from which the sum is brought) £400 4s. 2d."

85. The **Goods Account** is balanced exactly as described in Art. 55. On May 31 the value of the Stock on hands is £80. I therefore turn to the Cr. side of the Goods Acct. and enter: "*By Balance on hands* £80," and I transfer this sum to the Dr. side of the Balance Acct., entering: "*To Goods* £80." This amount being added to the Cr. total in the Trial Balance, the sum is £281 11s. 8d.,

from which the amount on the Dr. side being taken, the difference is £9 1s. 8d. This is entered (as in Art. 56), on the Dr. side of the Goods Acct., the entry being: "*To Profit and Loss—gain £9 1s. 8d.*," and by the principle of double entry the sum is transferred to the Cr. side of the Profit and Loss Acct., the entry being: "*By Goods £9 1s. 8d.*"

86. This finishes the balancing up to the two closing accounts. We now proceed to balance the two closing accounts—Profit and Loss, and Balance.

87. **Balancing the Profit and Loss Acct.** After the balancing of all the accounts up to the two closing accounts, the Profit and Loss Acct. contains on the Dr. side all the losses, and on the Cr. side all the gains. This will appear more clearly from future exercises where there will be both losses and gains. In this set of transactions there was no loss, and the gain was that on Goods, namely, £9 1s. 8d. Now since the Dr. side of my Profit and Loss Acct. contains all my losses, and the Cr. side all my gains, the difference of the two sides must be my net gain or net loss. In this case the difference is £9 1s. 8d., and since the Cr. side is the greater the difference is gain. Further the difference of the two sides of my Profit and Loss Acct. being always my net gain or net loss, is also the amount by which my original capital is increased or decreased, and therefore the **Profit and Loss Acct. is closed by the Capital Acct.** The Dr. side of my Profit and Loss Acct. being in the present case the less, the closing entry is made on the Dr. side: "*To Capital for net gain £9 1s. 8d.* ; and I transfer this amount to the Cr. side of Capital Acct., entering: "*By Profit and Loss for net gain £9 1s. 8d.* The Profit and Loss Acct. is then closed by entering the totals on each side.

88. **Balancing the Balance Acct.** After the accounts are balanced up to the two closing accounts, the Balance Acct. contains on the Dr. side all my **Assets**, that is all the different kinds of property I possess, and all debts due to me, if any. The Cr. side contains all my **Liabilities**, that is all my debts. This will appear more clearly in future exercises when there will be both assets and liabilities. In the present case my assets are the Cash and Goods I possess, amounting in value to £480 4s. 2d., and I have no liabilities. And since the Dr. side of my Balance Acct. always contains my assets, and the Cr. my liabilities (if there be any), the difference of the two sides must be what I am really worth, that is my net capital or net estate at the time of closing the books. Hence the Balance Acct. is also closed by the Capital Acct. The difference between the two sides of my Balance Acct. being £480 4s. 2d., this is entered on the Cr. or less side : "*By Capital for my net estate, £480 4s. 2d.*", and the sum is transferred to the Dr. side of the Capital Acct. : "*To Balance for net estate £480 4s. 2d.*" The Balance is then closed by entering the total of each side.

89. **Closing the Capital Account.** In my Capital Account I now find on the Cr. side the amount of my capital when beginning the business on the 1st of the month, together with my gain during the month ; and on the Dr. side the amount of my capital at the end of the month. And since what I had at first together with what I gained must be equal to what I had at the end, it follows that the total on the Cr. side must be equal to that on the Dr. side. This is found to be the case, and consequently the Capital Account closes itself.

90. This would not be the case if the books were incorrectly kept, and thus in the closing of the Capital Acct. we have a test of the correctness of the book-keeping.

[Note:—In balancing the accounts it is usual to make the closing entries in *pencil* until it is found that the Capital Acct. closes itself. The entries are then made in ink.]

91. Advantages of Double Entry Book-keeping :—

(1.) In the *Trial Balance* the merchant has the means of testing the accuracy of the postings into the ledger.

(2.) From the several *Real Accounts* he learns the value of the stock on hands of each commodity that he is dealing in, and his loss or gain on that commodity. If *inner columns* be used in these accounts the amount of the commodity bought and sold during any period can be found.

(3.) In the *Profit and Loss Acct.* the merchant has all his losses arranged on the Dr. side, and his gains on the Cr., and from the balance of the Acct. he learns his net gain or net loss.

(4.) In the *Balance Acct.* he finds his assets on the Dr. side, and his liabilities on the Cr. The balance of the Acct. shows what he is worth at the time of closing the books. If the Dr. side is the greater he is solvent by the difference of the two sides ; if the Cr. side is the greater he is insolvent by the difference.

(5.) In the Capital Acct. the merchant has a test of the accuracy of the book-keeping. If the Acct. closes itself it may be presumed that the postings and balancings are correct ; if it does not, some error must have been made.

EXERCISES.—EASY SETS IN DOUBLE ENTRY.

Write out each of the following sets of transactions in proper Waste Book form ; draw up the Ledger ; post the Ledger from the Waste Book ; make a Trial Balance ; balance and close the Ledger. State whether the owner of the books is solvent or insolvent and by how much, and whether he gained or lost and how much.

1. John Merchant has the following dealings for the month of Decr., 1884 :—Dec. 1. On hands Cash £500 17s. 8d., and Goods value £315 10s. 0d. 5. Bought Goods for Cash £60 12s. 6d. 6. Paid for carriage of Goods £1 2s. 6d. 10. Received for Goods sold £100 0s. 0d. 17. Bought for Cash, Goods £50 17s. 6d. 29. Sold Goods for Cash £120 15s. 0d. 31. *Took Stock and found on hands Goods value £230 0s. 0d.*

2. Transactions of Thomas Jackson for the month of January, '85 :—Jan. 1. On hands Cash £250 12s. 6d., and Tea 12 chests, £168 0s. 0d. 3. Bought for Cash 2 chests Tea at £13 5s. 0d. per chest, £26 10s. 0d. 5. Paid for carriage of Tea £0 15s. 6d. 10. Sold for Cash 4 chests Tea at £14 per chest, £56 0s. 0d. 15. Sold for Cash 2 chests Tea at £14 10s. 0d. per chest, £29 0s. 0d. 20. Bought for Cash 3 chests Tea at £13 15s. 0d. per chest, £41 5s. 0d. 26. Paid for carriage of Tea £0 17s. 6d. 30. Sold for Cash 5 chests Tea at £14 5s. 0d. per chest, £71 5s. 0d. 31. *Took Stock and found on hands 6 chests Tea value £14 10s. 0d. per chest, £87 0s. 0d.*

3. Henry West had the following dealings during the month of February, 1885 :—Feb. 1. On hands Cash

£500 12s. 6d., and Wine 20 pipes at £65 per pipe, £1300 os. od. 2. Bought of Geisler and Co. for Cash 5 pipes at £60 per pipe, £300 os. od. 10. Sold to John Woods for Cash 10 pipes at £60 5s. od., £602 10s. od. 16. Sold to Allen and Co. for Cash 5 pipes at £63 per pipe, £315 os. od. 18. Bought of Falkner and Co. for Cash 5 pipes at £65 5s. od. per pipe, £326 5s. od. 25. Sold to John Adams for Cash 3 pipes at £60 12s. 6d. per pipe, £181 17s. 6d. 28. Sold to John Woods for Cash 4 pipes at £64 10s. od. per pipe, £258 os. od. 28. Sent home 1 pipe of Wine for use in the house value £60 os. od. 28. *Took Stock and found on hands 7 pipes Wine value £66 os. od. per pipe, £462 os. od.*

[NOTES:—Ex. 1. Dec. 1. Post to Dr. of Cash £500 17s. 8d., to Dr. of Goods, £315 10s. od. and to Cr. of Capital £816 7s. 8d. Dec. 6. Post to Dr. of Goods and Cr. of Cash.

Ex. 2. Open a Tea Acct. in the ledger with inner columns. Jan. 5. Post to Dr. of Tea and Cr. of Cash.

Ex. 3. Open a Wine Acct. in the ledger. Inner columns may be used. Feb. 28. Post to Dr. of Profit and Loss and Cr. of Wine—see Arts. 66 and 67.]

ANSWERS TO EASY EXERCISES IN DOUBLE ENTRY.

1. Total of each column of Trial Balance, £1149 15s. 2d. John Merchant is solvent by £839 os. 2d. He gained £22 12s. 6d.

2. Total of each column of Trial Balance, £644 5s. 6d. Thomas Jackson is solvent by £424 9s. 6d. He gained £5 17s. od.

3. Total of each column of Trial Balance £3844 5s. od. Henry West is solvent by £1693 15s. od. He lost in trading in Wine £46 17s. 6d. and in Wine used in the

house £60 *os. od.*; hence his total net loss (as shown by the Profit and Loss Acct.) was £106 17s. 6d. See Art. 67.

EXAMINATION QUESTIONS.

68. What is Book-keeping by Single Entry? What are its drawbacks?

69. What is Book-keeping by Double Entry? What are its advantages? What books are required in double entry? What is the Waste Book? What is the Ledger?

70. How may the accounts of the ledger be classified? Define each class and give examples. Account for the names given to these classes. To which class do the following accounts respectively belong:—Capital, Cash, Tea, Sugar, John Jones, Profit & Loss, Balance?

71. Which of the Fictitious Accts. may contain records of the merchant's business dealings?

72 & 73. If a Waste Book be given to you, how do you proceed to form a Ledger?

75 to 77. State in general terms how you would post from the Waste Book into the Ledger. How would you post: "Cash and Goods on hands"; "Bought Goods for Cash"; "Paid for carriage of Goods"? Why is this method of posting called "double entry"?

78. Why does not the name of an Acct. appear in any posting into that Acct.?

79. What is a Trial Balance? How is it made? What is its use?

81. What conclusion may be drawn from a Trial Balance when completed, and why?

83. In what order are the accounts of the ledger balanced?

84. Explain how the Cash $\%$ and the Goods $\%$ are balanced respectively, and state where the amounts of the closing entries are respectively transferred.

87. Describe how the Profit & Loss $\%$ is balanced. What do the entries on the Dr. side and the entries on the Cr. side of the Profit & Loss $\%$ denote respectively? What does the closing entry denote? What acct. is used in closing the Profit & Loss $\%$ and why? Where is the amount of the closing entry transferred?

88. State how the Balance $\%$ is balanced? What do the entries on the Dr. side and the entries on the Cr. side respectively denote? What does the closing entry denote? What account is employed to close the Balance Acct., and why? Where is the amount of the closing entry transferred?

89. How is the Capital Acct. closed? What do the entries on the Dr. side and those on the Cr. side respectively denote? Why does the Capital $\%$ close itself?

91. State the advantages of Double Entry Book-Keeping.

CHAPTER V.

DOUBLE ENTRY—*continued*.

92. We have now seen how book-keeping by double entry may be carried out by means of two books, the Waste Book and the Ledger. Other forms of double entry book-keeping will be afterwards explained, but the student who clearly grasps the principles of the general method here described will readily understand any of the other forms, which are only variations of the general method. In this method of double entry it is usual to employ another book called the **Journal** which we shall now describe.

93. The **Waste Book** and the **Ledger** have already been defined and explained. The **Journal** is a book in which the transactions of the Waste Book are arranged in such a form that they can be easily and with slight risk of error transferred into the ledger accounts. The Journal is therefore an intermediate book between the Waste Book and the Ledger, and its use is to facilitate the posting into the Ledger.

94. [NOTE:—The student should understand that in real business the Waste Book, Journal, and Ledger are separate books often of large size, though in his exercises they are represented by a page or two of the same book.]

95. We shall consider another set of transactions. Suppose the following are my business dealings for a quarter of a year :—

WASTE BOOK.

1885.		£	s.	d.
Jan.	1	I have on hands at this date:—		
		Cash,	320	12 6
		Wine, 30 pipes, at £70 per pipe,	2100	0 0
"	"	Henry James owes me	250	10 0
"	"	I owe John North,	50	17 6
"	15	Sold for Cash 10 pipes of Wine, at £75 per pipe,	750	0 0
"	20	Bought from John North 5 pipes Wine at £65 per pipe,	325	0 0
"	29	Henry James paid me on account,	100	0 0
Feb.	3	Remitted to John North on account,	250	0 0
"	15	Sold Henry James 10 pipes Wine at £70 10s. od. per pipe,	705	0 0
"	21	Bought from John North 10 pipes Wine at £68 per pipe,	680	0 0
"	22	Paid for carriage of Wine,	1	12 6
Mar.	1	Received amount of Legacy left me by my deceased friend, Mr. Wm. White,	100	0 0
"	5	Paid my Subscription to Hospital Fund,	10	10 0
"	10	Received from Henry James on account,	800	0 0
"	17	Sold for Cash 15 pipes Wine at £72 10s. od. per pipe,	1087	10 0
"	30	Paid Wages and Petty Expenses,	25	12 6
"	31	Took Stock and found on hands 10 pipes Wine worth £72 per pipe,	720	0 0

96. These entries of the Waste Book are now arranged in the Journal in such a way that at a glance it is seen to what account in the ledger and to which side of the account each sum is to be posted. For this purpose the Journal is furnished with double money columns, those to the left being reserved for Dr. entries, and those to the right for Cr. entries.

JOURNAL.

		DR.			CR.			
		£	s.	d.	£	s.	d.	
1885.								
Jan.	1	Cash,	320	12	6			
		Wine,	2100	0	0			
		Henry James,	250	10	0			
		To Capital,			2671	2	6	
"	"	Capital,	50	17	6			
		To John North,			50	17	6	
Jan.	15	Cash,	750	0	0			
		To Wine,			750	0	0	
		Sold 10 pipes at £75 per pipe.						
"	20	Wine,	325	0	0			
		To John North,			325	0	0	
		Sold him 5 pipes at £65 per pipe.						
"	29	Cash,	100	0	0			
		To Henry James,			100	0	0	
		Paid to me on account.						
Feb.	3	John North,	250	0	0			
		To Cash,			250	0	0	
		Remitted to him on account.						
"	15	Henry James,	705	0	0			
		To Wine,			705	0	0	
		Sold him 10 pipes at £70 10s. od. per pipe.						
"	21	Wine,	680	0	0			
		To John North,			680	0	0	
		Bought 10 pipes at £68 per pipe.						
		Carried forward,	5532	0	0	5532	0	0

DOUBLE ENTRY.

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		DR.			CR.		
1885.		£	s.	d.	£	s.	d.
	Brought forward,	5532	0	0	5532	0	0
Feb. 22	Wine,	1	12	6			
	To Cash,				1	12	6
	Paid for carriage.						
Mar. 1	Cash,	100	0	0			
	To Capital,				100	0	0
	Received Legacy left by late Mr. White.						
Mar. 5	Profit and Loss,	10	10	0			
	To Cash,				10	10	0
	Subscription to Hospital.						
" 10	Cash,	800	0	0			
	To Henry James,				800	0	0
	Received on account.						
" 17	Cash,	1087	10	0			
	To Wine,				1087	10	0
	Sold 15 pipes at £72 10s. 0d per pipe.						
" 30	Profit and Loss,	25	12	6			
	To Cash,				25	12	6
	Paid Wages and Petty Expenses.						
	Total transactions journalised up to 30th March,	7557	5	0	7557	5	0

97. **Explanation of Journal.** Waste Book, Jan. 1.
 The first three entries denote my **Assets** at the time of beginning business, that is the amount of property I invest in the business and all sums owing to me. These

may be regarded as *coming in* from my general Capital for the purposes of this business—see Arts. 29 and 53. The amount of Cash must therefore be placed to the Dr. of the Cash Acct., the amount of Wine to the Dr. of the Wine Acct., and the sum owed me by Henry James to the Dr. of his Acct. ; while the Capital Acct. is credited with the sum of the three entries. All this is indicated in the Journal by writing Cash, Wine, Henry James on separate lines, placing the respective sums opposite the names of these Accounts in the columns headed Dr., and by writing on a fourth line *and a little to the right* the name of the Capital Acct., placing the sum of the three entries opposite this latter Acct. in the columns headed Cr.

98. Waste Book, Jan. 1. The second entry under Jan. 1 denotes a **Liability**—my liabilities being the sums I owe. This sum is owing from my Capital to John North, who must be credited with the sum. This is indicated in the Journal by making Capital Dr. and John North Cr. for the amount.

99. This finishes the journalising of the entries transferred from my former books. In the Balance Account in my former ledger the Assets were entered on the Dr. side, and the Liabilities on Cr. side. These form the first entries of my new Waste Book, and they are always journalised in the way that has just been explained—*Assets being always made Dr. to Capital, and Capital Dr. to Liabilities.*

100. Waste Book, Jan. 15. Cash comes in on account of Wine going out. The amount of the Cash must therefore be placed to the Dr. side of the Cash Acct., and the equal value of the Wine to the Cr. side of the Wine Acct.

The entry in the Journal therefore makes Cash Dr. and Wine Cr. for the same amount. Waste Book, Jan. 20. Wine comes in from John North: therefore the value of the Wine must be placed on the Dr. side of the Wine Acct., and an equal sum on the credit side of John North's Acct. This is indicated in the Journal by making Wine Dr. £325 *os. od.*, and John North Cr. £325 *os. od.*

101. From an examination of such entries we arrive at the General Rules for Journalising.

RULE I. (*Dealings for Cash or in barter.*)

What comes in is Dr., what goes out is Cr.

RULE II. (*Dealings on Credit.*)

(a) What comes in is Dr., the person from whom it comes is Cr.

(b) The person to whom a commodity goes out is Dr., what goes out is Cr.

These rules follow at once from the principles laid down above, and from Arts. 4, 33, 50, &c.

102. Applying these rules to the remaining entries of the Waste Book, the mode of journalising them is at once apparent—with the exception, perhaps, of the transactions under Mar. 1, 5 and 30. These we shall now consider.

103. In Art. 30 it was stated that the Acct. of Profit and Loss is made to contain on the Dr. side all losses and on the Cr. side all gains, and that a merchant considers as *gain* everything coming in for which nothing goes out, or for which he is not Dr., and as a *loss* everything going out for which nothing comes in or for which no one is

Dr. Hence many book-keepers would regard the receipt under Mar. 1 as a *gain*, and would journalise: "Cash Dr. £100 0s. 0d., To Profit and Loss Cr. £100 0s. 0d.;" and the outlays under March 5 and 30 as *losses*, and would journalise respectively: "Profit and Loss Dr. £10 10s. 0d., To Cash Cr. £10 10s. 0d." and "Profit and Loss Dr. £25 12s. 6d., To Cash Cr. £25 12s. 6d." It will be more correct however to regard the receipt under Mar. 1, not as a *gain*, since it did not arise from my business transactions, but as an increase to my Capital, and to journalise: "Cash Dr. £100, To Capital Cr. £100." Thus the sum will be placed to the Dr. side of Cash Acct., and my Capital Acct. will be credited with the same sum. But as the outlay under Mar. 5 is a small one, and as such subscriptions are expected from business men, it, as well as the outlay under Mar. 30, may be regarded as a "loss," and journalised as given above.

104. **Form of Journal.** The Journal of Art. 96 is the form usually employed. Other forms of Journals will be afterwards described.

The double money columns serve to separate the Dr. sums from the Cr.; and in posting, the sums in the left hand column in the Journal go to the left hand side of Accts. in the Ledger, while those in the right hand column go to the right hand side of the Ledger.

After journalising a Waste Book entry, the particulars of the transaction—or "the narration"—may be given as in Art. 96. Most book-keepers however omit the narration.

105. The Journal being completed we make out a list of accounts which we are to open in the Ledger. This

list should be drawn up in such a form that after the Ledger is posted it will serve for the

TRIAL BALANCE.

DR.						CR.		
	£	s.	d.	£	s.	d.		
Capital,	50	17	6	2771	2	6		
Cash,	3158	2	6	287	15	0		
Wine,	3106	12	6	2542	10	0		
Henry James,	955	10	0	900	0	0		
John North,	250	0	0	1055	17	6		
Profit and Loss,	36	2	6	—	—	—		
Balance,	—	—	—	—	—	—		
Total,	7557	5	0	7557	5	0		

106. The amounts in the columns headed Dr. and Cr. in the Trial Balance are of course not entered until the Ledger is posted.

107. The accts. in the Ledger are now opened in the foregoing order, as follows:—

LEDGER.

DR.				CAPITAL.				CR.			
		£	s.	d.		£	s.	d.			
1885. Jan. 1	To J. North,	50	17	6	1885. Jan. 1	By Sundries,	2671	2	6		
Mar. 31	" Balance—				Mar. 1	" Cash—					
	Net estate,	2840	0	0	" 31	" Legacy,	100	0	0		
						" Profit and					
						Loss—					
						gain, .	119	15	0		
		2890	17	6			2890	17	6		

LEDGER—continued.

DR.					CASH.					CR.				
1885.		£	s.	d.	1885.		£	s.	d.					
Jan. 1	To Capital, .	320	12	6	Feb. 3	By J. North,	250	0	0					
" 15	" Wine, .	750	0	0	" 22	" Wine, .	1	12	6					
" 29	" H. James,	100	0	0	Mar. 5	" Profit and								
Mar. 1	" Capital, .	100	0	0		Loss, .	10	10	0					
" 10	" H. James,	800	0	0	" 30	" Profit and								
" 17	" Wine, .	1087	10	0		Loss, .	25	12	6					
					" 31	" Balance,	2870	7	6					
		3158	2	6			3158	2	6					
Mar. 31	" Balance, brought down, .	2870	7	6										

DR.					WINE.					CR.				
1885.		P.	£	s.	d.	1885.		P.	£	s.	d.			
Jan. 1	To Capital, .	302	100	0	0	Jan. 15	By Cash, .	10	750	0	0			
" 20	" J. North,	5	325	0	0	Feb. 15	" H. James,	10	705	0	0			
Feb. 21	" J. North,	10	680	0	0	Mar. 17	" Cash, .	15	1087	10	0			
" 22	" Cash, .	-		12	6	" 31	" Balance on hands,	10	720	0	0			
Mar. 31	Profit and Loss—gain	-	155	17	6									
		45	3262	10	0			45	3262	10	0			

DR.					HENRY JAMES.					CR.				
1885.		£	s.	d.	1885.		£	s.	d.					
Jan. 1	To Capital, .	250	10	0	Jan. 29	By Cash, .	100	0	0					
Feb. 15	" Wine, .	705	0	0	Mar. 10	" Cash, .	800	0	0					
					" 31	" Balance, .	55	10	0					
		955	10	0			955	10	0					

DOUBLE ENTRY.

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LEDGER—continued.

DR.				JOHN NORTH.				CR.			
1885.			£	s.	d.	1885.			£	s.	d.
Feb. 3	To Cash,	.	250	0	0	Jan. 1	By Capital,	.	50	17	6
Mar. 31	„ Balance,	.	805	17	6	„ 20	„ Wine,	.	325	0	0
						Feb. 21	„ Wine,	.	680	0	0
			1055	17	6				1055	17	6
			<u> </u>	<u> </u>	<u> </u>				<u> </u>	<u> </u>	<u> </u>

DR.				PROFIT AND LOSS.				CR.			
1885.		£	s.	d.	1885.		£	s.	d.		
Mar. 5	To Cash,	10	10	0	Mar. 31	By Wine-gain,	155	17	6		
" 30	" Cash,	25	12	6							
" 31	" Capital— net gain,	119	15	0							
		155	17	6			155	17	6		

DR.				BALANCE.				CR.			
1885.		£	s.	d.	1885.		£	s.	d.		
Mar. 31	To Cash, .	2870	7	6	Mar. 31	By J. North, .	805	17	6		
"	" Wine, .	720	0	0	"	" Capital for net estate, .	2840	0	0		
"	" H. James, .	55	10	0							
		3645	17	6			3645	17	6		

108. Posting the Ledger. The Journal being completed, the posting from the Journal to the Ledger is

very simple. In each Journal entry we turn first to the Dr. side of the acct. which is made Dr. in the Journal—or if more than one, to the Dr. side of the respective accts.—and write: “To [name of Cr. Acct.],” entering the sum in the money columns; then we turn to Cr. side of the Acct. made Cr. in the Journal and write: “By [name of Dr. Acct.],” entering the sum in the money columns.

109. For example, looking to the first entry of the Journal under date Jan. 1, we find that three Accts. are Dr. respectively, namely “Cash,” “Wine,” and “Henry James,” and that one Acct. is Cr., namely “Capital.” We therefore turn to the Dr. side of the Cash Acct., and write: “Jan. 1. To Capital £320 12s. 6d.”; to the Dr. side of the Wine Acct. and write: “Jan. 1. To Capital £2100 0s. 0d.”; to the Dr. side of Henry James’s Acct., and write: “Jan. 1. To Capital £250 10s. 0d.”; and lastly to the Cr. side of Capital Acct., and write: “Jan. 1. By Sundries £2671 2s. 6d.”—“Sundries” standing for the *sundry* or *several* accts. of Cash, Wine, and Henry James.

Again the second entry of the Journal under date Jan. 1 is posted as follows:—We turn to Dr. side of the Capital Acct., and write: “Jan. 1. To John North £50 17s. 6d.” then to the Cr. side of John North’s Acct., and write: “Jan. 1 By Capital £50 17s. 6d.”

110. Similarly in the case of each of the other entries of the Journal, we turn to the Dr. of the first-mentioned acct., and write: “To [name of second acct.],” then we turn to the Cr. of the second acct., and write: “By [name of first acct.],”—in each case entering the date and the amount,

111. Thus in posting from the Journal into the Ledger we have not to consider in each case which acct. and to which side of the acct. the entry is to be made; and we are consequently able to post with greater facility and with much less chance of making mistakes, than if we posted directly from the Waste Book into the Ledger.

112. As a guide to the posting the Student should observe that in making any entry in an acct. the name of that acct. never occurs in the posting—the entry in any acct. being always *To* or *By some other acct.*

113. **Trial Balance.** The entries being posted from the Journal into the Ledger the Trial Balance in Art. 104 is completed by adding up in the Ledger the Dr. and Cr. sides of each acct., and placing the respective totals opposite the names of the accts. in the Trial Balance. Then the totals of the Dr. and Cr. columns of the Trial Balance are found, and if these totals are equal, and if they are the same as the totals of the Journal, the posting (Arts. 79 and 81) is assumed to be correct, if they differ from each other or from the Journal totals an error must have been made.

114. If the Dr. and Cr. totals of the Trial Balance are not equal the student should go over the postings again in order placing a mark (✓) opposite each entry in the Journal and the Ledger that he finds correct, until he discovers the error. If the totals of the Trial Balance are found to agree he may then proceed to balance the Accts. of the Ledger.

115. **Balancing the Ledger Accts.** See Arts. 83 to 89.

116. **Cash Account.** The balance of the Cash Acct. is found from the Trial Balance to be £2870 7s. 6d.;

the closing entry is therefore: "*By Balance £2870 7s. 6d.*" This sum is transferred to the Dr. side of the Balance Acct.

117. **Wine Account.** The amount of Wine on hands is found on *taking stock* to be 10 pipes, worth £72 per pipe. The first closing entry is therefore: "*By Balance*" on the Cr. side, and the amount is transferred to the Dr. side of the Balance Acct. The Dr. side is now found to be £155 17s. 6d. less than the Cr. and therefore the second closing entry is on the Dr. side: "*To Profit and Loss—gain,*" and the amount is transferred to the Cr. side of the Profit and Loss Acct.

118. **Henry James's Acct.** The Cr. side is found from the Trial Balance to be less than the Dr. by £55 10s. 0d.; the closing entry is therefore; "*By Balance £55 10s. 0d.*"—showing that Henry James owes me that amount. This sum is transferred to the Dr. side of the Balance Acct.

119. **John North's Acct.** Similarly the closing entry of this Acct. is: "*To Balance £805 17s. 6d.*"—indicating that I owe John North that amount. This sum is transferred to the Cr. side of Balance Acct.

120. The accounts are thus all balanced up to the two closing accts.—*Profit and Loss*, and *Balance*. The balances of each of the accts. may be *brought down* as explained by Art. 19.

121. **Profit and Loss Acct.** The Dr. side of the Profit and Loss Acct. is found to be less than the Cr. by £119 15s. 0d. This sum is my *net gain* (Art. 87), and as it is so much added to my Capital the closing entry is: "*To Capital for net gain £119 15s. 0d.,*" which sum is then transferred to the Cr. side of the Capital Acct.

122. **Balance Acct.** The Dr. side shows my assets, the Cr. my liabilities, and as the Dr. side is the greater by £2840, this is my net capital at the time of closing the books. The closing entry is therefore: "*By Capital £2840,*" which sum is transferred to the Dr. side of the Capital Acct.

123. **Capital Account.** The first entry on the Dr. side of the Capital Acct. shows my *liabilities* when beginning business, and the first entry on the Cr. side my *assets*. The difference of these sums is my net capital when commencing the business. Hence the Capital Acct. at the time of opening the books may be regarded as containing one entry only on the Cr. side, namely my net capital at the time. During the time the books are open and when balancing the ledger accounts, the Cr. side of the Capital Acct. receives any increments to my capital, while on the Dr. side is entered my net capital at the time of closing the books. The Capital Acct. may then be regarded as having on the Cr. side the amount of my capital at first, together with all increments to it during the time the books were open, and on the Dr. side the amount of my capital at the time of closing the books. These sums must be equal, and hence the Capital Account closes itself.

THE DR. AND CR. ENTRIES OF THE SEVERAL ACCOUNTS.

124. **Entries in Cash Acct.** On the Dr. side of the Cash Acct. the entries denote money in hands or received, and on the Cr. side money paid out—Dr. in, Cr. out. The

Balance shows the *Cash in hands* at the time of closing the Acct.

125. **Goods Accts.** On the Dr. side the *Goods on hand* and the expenses for them, on the Cr. side the *Goods sold out* and the receipts for them. The Balance entry is always on the Cr. side and shows the *value of the Goods on hands*; and the Profit and Loss closing entry shows the *gain* or the *loss*.

126. **Personal Acct.** On the Dr. side the sums in goods or cash *I pay to the person*, on the Cr. side *what he pays to me*. The Balance shows *what he owes to me* or *what I owe to him*.

127. **Profit and Loss Acct.** On the Dr. side *losses*, on the Cr. side *gains*. The Balance shows my *net gain* or *net loss*.

128. **Balance Acct.** On the Dr. side my *Assets*—that is the several kinds of property I possess and the debts owing to me; on the Cr. side my *liabilities*—the sums I owe. The Balance of the Acct. shows my *net capital* at the time of closing the books. If my assets are greater than my liabilities, I am solvent by the difference; if my liabilities are the greater I am insolvent by the difference.

129. **Capital Acct.** On opening the Acct. the Cr. side may be regarded as containing my *net capital*—the difference of my *Assets* and *Liabilities*—when beginning the business; and during the business the Cr. side receives all additions to my capital. On closing the books the Dr. side receives the amount of my net capital at that time. Both sides therefore contain statements of my property at the time of closing, and they must therefore be equal. Hence the Capital Acct. closes itself.

**EXERCISES IN DOUBLE ENTRY, WITH WASTE BOOK,
JOURNAL, AND LEDGER.**

Write out each of the following sets of transactions in proper Waste Book form; journalise the Waste Book entries; open ledger accts. and post them from the Journal; make a Trial Balance; balance and close the Ledger. State whether the owner of the books is solvent or insolvent, and by how much, whether he gained or lost on Goods, and how much, and what was his total gain or loss.

1. Exercise 1, Chap. IV., p. 54, Journalise the Waste Book entries, and proceed as directed above.

2. Exercise 2, Chap. IV., p. 54.

3. Exercise 3, Chap. IV., p. 54.

4. The following is a statement of Henry Mercer's business dealings for the month of Sept., 1884:—
 Sept. 1. On hands, Cash £361 os. 6d., and Goods value £160 12s. 6d. Sept. 1. John Roberts owes him £80 10s. 0d. 10. Paid for house expenses £10 15s. 0d.
 15. Sold to Henry Jones Goods for Cash, £80 12s. 6d.
 20. Sold John Roberts Goods, £60 10s. 0d. 25. Bought from Fawcett & Co. for Cash, Goods £75 15s. 0d.
 27. Received from John Roberts on $\frac{1}{10}$, £150 os. 0d.
 30. Paid Wages for month, £10 os. 0d. 30. Took Stock and found on hands Goods value £95 os. 0d.

5. Dealings of Wm. Hart for month of January, 1885:—Jan. 1. On hands, Cash, £165 os. 0d., and Goods, value £110 os. 0d. 3. Bought of James Gould 40 firkins Butter, 27 cwt. 1 qr. 5 lbs., at 94s. per cwt., £128 5s. 8d. 5. Sold Hughes and Co. 20 kegs Lard, 9 cwt. 2 qrs. 11 lbs., at 65s. per cwt., £31 3s. 11d. Sold to James Brown, 8 cwt. 1 qr. 16 lbs. Cheese, at

64s. 6d. per cwt., £27 1s. 4d. 7. Paid James Gould on acct. £100 os. od. 10. Received of Hughes and Co. on $\frac{1}{2}\%$. £31 3s. 11d. 15. Sold to James Brown 9 cwt. 1 qr. 10 lbs. Cheese, at 64s. per cwt., £29 15s. 3d. 20. Recd. from James Brown on $\frac{1}{2}\%$. £30 os. od. 25. Sent home 1 firkin of Butter for house use £3 10s. od. 28. Paid for House Expenses £5 7s. 6d. 31. Paid Wages £7 10s. od. 31. *Took Stock and found on hands Goods value £180 10s. od.*

6. Dealings of John Jackson for the month of July, 1884:—July 1. On hands Cash £165 os. od. and Tea 1000 lbs., at 2s. 3d. per lb., £112 10s. od. 3. Bought of Taylor Bros., 200 lbs. Hyson Tea, at 2s. 3d. per lb., £22 10s. od. 5. Sold to James Tuxford for Cash 40 lb. Souchong Tea, at 1s. 8d., £3 6s. 8d. 9. Sold to James Smithson for Cash 72 lbs. Green Tea, at 3s. 6d., £12 12s. od. 15. Bought of Taylor Bros. 10 chests Pekoe Tea, 524 lbs., at 2s. 5d. per lb., £63 1s. 4d. 22. Paid Taylor Bros. on $\frac{1}{2}\%$. £50 os. od. 27. Sold for cash 1200 lbs. Hyson Tea, at 2s., £120 os. od. 30. Paid for Trade Expenses and Wages £12 os. od. 31. *Took Stock and found on hands* 412 lbs. Tea worth 2s. per lb., £41 4s. od.

7. Dealings of Henry Lloyd for the month of Feby., 1885:—Feb. 1. On hands Cash £120 10s. od., Goods value £250 17s. 6d., and John Murray owes him £50. He owes William Blake £500 os. od. Feb. 3. Paid Wm. Blake on $\frac{1}{2}\%$. £100 os. od. 5. Sold John Murray Goods £90 10s. od. 7. Received for Shop Sales £12 12s. 8d. 10. Lost a £10 note. 15. Received from Wm. Blake Goods £120 10s. od. 17. Received from John Murray on $\frac{1}{2}\%$. £100 os. od. 22. Received for Cash sales in Shop, £15 12s. 6d. 25. Borrowed from Wm. Blake,

£50 os. od. 27. Paid rent of Shop, £20 os. od. 28. Paid Wages and petty expenses, £16 16s. od. 28. Took Stock and found on hands Goods value £270 12s. 4d.

[Notes on the Exercises:—In all cases the totals of the Dr. and the Cr. columns of the Journal should be the same as those of the Trial Balance.

Ex. 1. Dec. 1. Journalise:—Cash Dr. £500 17s. 8d., Goods Dr. £315 10s. od. To Capital Cr. £816 7s. 8d. Dec. 6. Goods Dr. £1 2s. 6d. To Cash Cr. £1 2s. 6d.

Ex. 2. Jan. 1. Journalise:—Cash Dr. £250 12s. 6d., Tea Dr. £168 os. od., To Capital Cr. £418 12s. 6d. Jan. 5. Tea Dr. £0 15s. 6d. To Cash Cr. £0 15s. 6d.

Ex. 3. Feb. 28. Journalise:—Profit and Loss Dr. £60 os. od., To Wine Cr. £60 os. od. See Arts. 66 and 67.

Ex. 4. Sep. 1. Journalise:—Cash Dr. £361 os. 6d., Goods Dr. £160 12s. 6d., John Roberts Dr. £80 10s. od., To Capital Cr. £602 3s. od. Sep. 10 & 30. Journalise, Profit and Loss Dr., To Cash Cr.

Ex. 5. Since in the inventory of stock on hand on Jan. 1, the different kinds of goods and their amounts are not given, we open in the Ledger a General Goods $\frac{1}{c}$ and the amounts of the Goods are not entered in the inner columns. Jan. 3. Journalise Goods Dr. £128 5s. 8d., To James Gould Cr. £128 5s. 8d. The "narration" or particulars of the entry need not be given. Jan. 25. Since this is an outlay for which there is no return, the Journal entry is Profit & Loss Dr. £3 10s. od., To Goods Cr. £3 10s. od. See Art. 67.

Ex. 6. Since Tea is mentioned in the inventory an account is opened for Tea in the Ledger. Inner columns may be used in this $\frac{1}{c}$ or it may be kept without them.

Ex. 7. Feb. 1. Journalise, Cash Dr. £120 10s. od., Goods Dr. £250 17s. 6d., John Murray Dr. £500 os. od., To Capital Cr. £421 7s. 6d. Feb. 1. Capital Dr. £500 os. od., To Wm. Blake Cr. £500 os. od. Hence it will be seen that the owner of the books—Henry Lloyd—is insolvent at starting, since his liabilities are greater than his assets. Feb. 10, 27, & 28. Journalise: Profit & Loss Dr., To Cash Cr. When the Ledger $\frac{1}{c}$ are balanced, the Balance $\frac{1}{c}$ shows that Henry Lloyd's assets are less than his liabilities by £107 8s. 6d. and therefore he is insolvent by this amo

ANSWERS TO EXERCISES IN DOUBLE ENTRY WITH WASTE
BOOK, JOURNAL, AND LEDGER.

1. Total of Journal and of Trial Balance £1149 15s. 2d.
John Merchant is solvent by £839 0s. 2d. Gain on
Goods, £22 12s. 6d. Total gain £22 12s. 6d.
2. Total of Journal and of Trial Balance £644 5s. 6d.
Thomas Jackson is solvent by £424 9s. 6d. Gain on
Goods, £5 17s. 0d. Total gain £5 17s. 0d.
3. Total of Journal and of Trial Balance £3844 5s. 0d.
Henry West is solvent by £1693 15s. 0d. He lost in
trading in Wine £46 17s. 6d. Total loss £106 17s. 6d.
4. Total of Journal and of Trial Balance £989 15s. 6d.
Henry Mercer is solvent by £581 3s. 0d. Loss on
Goods £0 5s. 0d. Total loss £21 0s. 0d.
5. Total of Journal and of Trial Balance, £668 17s. 7d.
Wm. Hart is solvent by £292 7s. 4d. Gain on Goods
£33 14s. 10d. Total net gain £17 7s. 4d.
6. Total of Journal and of Trial Balance, £561 0s. 0d.
John Jackson is solvent by £244 11s. 4d. Loss on
Goods £20 18s. 8d. Total net loss £32 18s. 8d.
7. Total of Journal and of Trial Balance £1457 8s. 8d.
Henry Lloyd is insolvent by £107 8s. 6d. Gain on
Goods £18 0s. 0d. Total net loss £28 16s. 0d.

EXAMINATION QUESTIONS.

- 92 and 93. Explain the use of the Journal.
96. Describe the form of the Journal and state how
entries are made in it.

97. How are Assets journalised? How Liabilities? Give examples.

99 and 100. How would you journalise:—"Sold Wine for Cash;" "Bought Wine from John North;" "Paid for carriage of Wine;" Paid John North on account;" Sold Henry James, Wine"?

101. State the general rules for journalising, and show how they are obtained.

103. How would you journalise:—Received amount of legacy;" Paid subscription to charity;" Paid Wages"?

104. What are the uses of the double money columns in the Journal? What is meant by the "narration" in journalising?

105. How should the list of accounts for the Ledger be drawn up?

106. When is the Trial Balance completed?

108. State in general terms how posting from the Journal to the Ledger is done.

109. How would you post:—"Cash Dr., Goods Dr., To Capital Cr.;" "Cash Dr. To Wine;" Henry James Dr. to Wine;" "Profit and Loss Dr. to Cash?"

111. Point out the use of the Journal.

112. Why does not the name of an Acct. occur in any posting into that acct.?

113. What two tests should be applied to the Trial Balance?

114. If the Trial Balance fails in either test, what course is to be followed?

115 to 120. Describe how the accounts up to the two closing accounts are balanced? What transfers are made in the case of the closing entries of the following

accts. respectively :—Cash, other Real accts., Personal accts. ?

121 and 122. How are the Profit and Loss $\frac{1}{100}$ and the Balance $\frac{1}{100}$ respectively balanced ? Where are the amounts of the closing entries transferred ?

123. How is the Capital $\frac{1}{100}$ closed ? Explain why a Capital $\frac{1}{100}$ in which there are both *liabilities* and *assets* closes itself.

124 to 129. In the case of each of the following accounts state (1) what the entries on the Dr. side denote ; (2), what the entries on the Cr. side denote ; (3), what is learned from the closing entry or entries :—Cash $\frac{1}{100}$, Goods $\frac{1}{100}$, Personal $\frac{1}{100}$, Profit and Loss $\frac{1}{100}$, Balance $\frac{1}{100}$, Capital $\frac{1}{100}$?

END OF PART I.

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ALEX. THOM & Co. (Limited), 87, 88, & 89, Abbey-street, Dublin,
The Queen's Printing Office.

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